



**HIYAS SAVINGS
and Loan Association Inc.**
ESTABLISHED 1976

INTEREST RATES

SAVINGS DEPOSIT	6.00%
TIME DEPOSIT	10.00%
REGULAR SAVINGS	6.00%
CHECKING ACCOUNT	5.00%
LOAN RATE	18.00%

PHILIPPINE STOCK EXCHANGE

INDEX	21,500
PLD	21,500
SM	21,500
ALCANTARA	21,500
AYALA	21,500
COCA	21,500
CELEBRITY	21,500
...	...

50 GOLDEN YEARS

HIYAS BANKING CORPORATION

“A THRIFT BANK”

Pasasalamat sa Limampung
Ginintuang Taon ng Paglilingkod,
Pagtitiwala at Sabay na Pag-Unlad

2025 ANNUAL REPORT

ABOUT THE COVER

The cover captures the journey of Hiyas Banking Corporation through five decades of dedicated service, trust, and shared growth with the community. At the center stands the Bank's present-day building, *i.e.*, solid, modern, and forward-looking, symbolizing stability and continued progress. Encircling it are scenes from the past and present: busy teller lines, manual record-keeping, and early banking tools that reflect humble beginnings and hands-on service, gradually evolving into a more dynamic and resilient institution.

Equally prominent are images of everyday Filipinos, farmers tilling the land, market vendors selling fresh produce, and families in rural homes, representing the very communities the Bank has supported over the years. These visuals highlight how Hiyas Bank has grown alongside its clients, empowering livelihoods, sustaining small businesses, and contributing to local development.

The golden "50" signifies not just longevity but a legacy built on trust and meaningful relationships, while the blending of banking operations with community life reflects a shared journey where the Bank's success is deeply rooted in the progress of the people it serves, ultimately telling a story of steadfast commitment, a Bank grounded in service, strengthened by trust, and driven by a collective vision of inclusive and lasting growth.

ABOUT THIS REPORT

This Annual Report of HIYAS Banking Corporation (HIYAS) presents the Bank's performance and accomplishments for the period January to December 2025. The information contained herein has been meticulously consolidated from the Head Office and its four (4) branch offices to provide a complete and accurate overview of the Bank's operations, activities, and financial condition during the year.

The accompanying financial statements were prepared and audited by Paguio, Dumayas & Associates, CPAs (PDAC), headed by Mr. Floyd C. Paguio, in accordance with applicable accounting and auditing standards.

Through this report, HIYAS aims to provide its shareholders, stakeholders, and the communities it serves with a transparent, comprehensive, and reliable account of its financial performance, operational achievements, and overall corporate standing, reflecting the Bank's enduring commitment to sound governance, accountability, and service excellence.

TABLE OF CONTENTS

01	<i>About the Cover and this Report</i>
01	<i>Table of Contents</i>
02	<i>Hiyas Through the Years: A Journey of Milestones</i>
03	<i>Corporate Policy</i>
06	<i>Financial Highlights</i>
06	<i>Financial Condition and Results of Operation</i>
15	<i>Risk Management Framework</i>
20	<i>Disclosure in the Annual Reports and Published Balance Sheet</i>
23	<i>Anti-Money Laundering Governance and Culture</i>
42	<i>Corporate Governance</i>
51	<i>Performance Assessment Program</i>
57	<i>Retirement and Succession Policy</i>
61	<i>Orientation and Education Program</i>
63	<i>Remuneration Policy</i>
66	<i>Policies and Procedures on Related Party Transactions</i>
71	<i>Self-Assessment Function: Internal Audit and Compliance Structure</i>
72	<i>Dividend Policy</i>
72	<i>Corporate Social Responsibility Initiatives</i>
74	<i>Consumer Protection Practices</i>
87	<i>Sustainable Finance Framework</i>
96	<i>Corporate Information</i>
Annex	<i>Audited Financial Statements December 31, 2025 and</i>
"A"	<i>December 31, 2024 and Independent Auditor's Report</i>

HIYAS THROUGH THE YEARS: A JOURNEY OF MILESTONES

Year 1976

Incorporated and registered with the Securities and Exchange Commission on April 21, 1976, Hiyas Banking Corporation (formerly Hiyas Savings and Loan Bank, Inc.) began its journey with an initial authorized capitalization of ₱2.5 million. The Bank officially opened its doors to the public on May 29, 1976, after receiving Certificate of Authority No. S-47 from the Monetary Board of the Central Bank of the Philippines. This marked the start of its enduring commitment to accessible and reliable banking services for the local community.

Year 1980 - 1983

The Bank expanded its reach with the opening of the Malolos Branch on March 27, 1980, followed by the Norzagaray Branch on May 29, 1982. Despite the economic challenges brought about by the global downturn in 1983, the Bank demonstrated resilience and stability, surviving and even strengthening during a volatile period in Philippine banking history.

Year 1992 - 1995

On October 5, 1992, the Bank further expanded by opening the San Jose del Monte Branch and acquired a new site for its Head Office. In 1995, in response to new capital requirements set by the *Bangko Sentral ng Pilipinas* (BSP), the Bank amended its Articles of Incorporation to increase its authorized capital from ₱25 million to ₱50 million, reflecting its adaptability and forward-looking stance.

Year 2002 - 2004

Significant corporate developments took place as the Bank changed its name to Hiyas Banking Corporation on October 8, 2002. In 2002 and 2004, it further amended its Articles of Incorporation and By-Laws to raise its authorized capital stock to ₱100 million and increased the Board of Directors from 11 to 15 members, introducing three independent directors to enhance governance.

Year 2007 - 2008

The Bank took major steps toward compliance with the Philippine Financial Reporting Standards and received BSP approval to open a new branch in Bagbaguin, Sta. Maria, Bulacan in November 2007. A three-storey building was constructed on a 1,000 sq. meters property along Gov. Fortunato F. Halili Avenue, which became the corporate headquarters on November 17, 2008. This expansion brought the Bank's presence to five branches across Bulacan.

Year 2017 - 2018

The Bank amended its By-laws to align with good governance practices, reducing the number of directors from 15 to 9, including three independent directors. This took effect in 2018 upon approval from the BSP and SEC.

Year 2020

The onset of the COVID-19 pandemic posed severe challenges, especially due to the Bank's reliance on face-to-face transactions. Despite financial strain, the Bank remained steadfast in its mission. It consolidated its Poblacion Branch with the New Market Site Branch in September 2020. The BSP granted an extension to relocate the branch until September 2023.

Year 2021

Further amendments to the Bank's By-laws were approved to comply with BSP Circular 969, the Revised Corporation Code, and other regulatory recommendations.

Year 2023

In February and December 2023, the Bank launched its official Facebook page and website to support digital transformation, enhance transparency, and broaden its market reach.

Year 2024

Another corporate milestone was achieved in September 2024 when the Bank's ₱100 million authorized capital stock was fully subscribed and paid, accentuating the unwavering support of its shareholders and further strengthening the Bank's capital base to support future growth and business expansion initiatives.

CORPORATE POLICY

MISSION

HIYAS BANKING CORPORATION “A THRIFT BANK” was organized under the existing Philippine banking laws in the goal of mobilizing small savings towards actively promoting savings consciousness, providing accessible and affordable medium and long term credit facilities and financial assistance to both small and medium enterprises, and promoting countryside development through financing in the urban and non-urban areas as a potent catalyst of growth and a reliable partner of the government towards rendering dedicated and committed service of integrity.

VISION

To rise up to the challenge of extending available, accessible and affordable credit to small and medium enterprises and the different sectors who are in need of financial assistance, in the conscious effort of becoming a potent catalyst of growth and a reliable partner of the government towards rendering service to our depositors and clients, with the dedication and commitment, integrity and responsibility expected of us as a major player in the thrift banking industry.

CORPORATE LOGO & TAGLINE



Let's grow together

The logo of Hiyas Banking Corporation reflects the Bank's strong foundation, integrity, and long-term commitment to serving the community. The dominant red color represents energy, stability, and dedication in meeting clients' financial needs, while the white color symbolizes honesty, transparency, and trust, which form the foundation of relationships with depositors, borrowers, and other stakeholders. The word “HIYAS” represents a precious gem or treasure that is carefully nurtured and developed, reflecting the Bank's partnership with its clients in building a more secure future. The phrase “Since 1976” signifies the decades of experience, stability, and continuous service to the public.

The tagline “Let's Grow Together!” expresses the Bank's commitment to being a partner in the growth and development of its clients, businesses, and the community. It highlights the belief that the Bank's success is closely tied to the success of the people it serves through reliable financial services, responsible lending, and strong client relationships.

HIYAS COMMITMENT

Management remains steadfast in its commitment to the proactive and strategic pursuit of the Bank's goals and objectives, while continuing to uphold the prudence, discipline, and sound judgment that have long served as the foundation of our operations. As we strive to enhance efficiency and productivity through process improvements and operational streamlining, we remain equally focused on strengthening our risk management framework, fostering a culture of good governance, and implementing meaningful reforms that will further reinforce the Bank's resilience, sustainability, and capacity for long-term growth.

As we move forward, we reaffirm our unwavering dedication to delivering the highest standards of service that our clients have entrusted and relied upon for the past fifty (50) years. Guided by our enduring commitment to excellence, integrity, and customer-centricity, we will continue to build lasting relationships, create value for our stakeholders, and uphold the trust that has been the cornerstone of Hiyas Banking Corporation's success and legacy.

THE HIYAS BRAND

Hiyas Banking Corporation is a proudly homegrown institution, with its incorporators and major shareholders hailing from some of the most respected and prominent families in Bulacan. Rooted in the solid reputation and goodwill of our Board of Directors and senior management, we distinguish ourselves through personalized, accommodating, friendly, prompt, and genuinely warm service that reflects our deep commitment to the communities we serve.

Our strength lies in our connection with small to medium entrepreneurs, farmers, livestock raisers, backyard business owners, teachers, pensioners, and young professionals—many of whom are second-generation clients whose families have trusted Hiyas for decades.

For the past forty-nine years, HIYAS has built a brand synonymous with integrity, credibility, strong community ties, and exceptional service. Though we may be modest in size, we have consistently demonstrated strength, stability, and heart. And while we remain simple in approach, we are unwavering in our promise to deliver meaningful value and lasting relationships—making Hiyas the bank of choice for generations.

OUR PRODUCTS AND SERVICES

PESO DEPOSITS

- ❑ **Demand Deposit** – A deposit account otherwise known as current or checking account. This refers to deposit payable upon demand, non-interest bearing and subject to withdrawal thru check. The depositor must maintain a minimum deposit balance so as not to be charged with a corresponding service fee within the month.
- ❑ **Savings Deposit** – A deposit account opened and maintained to accumulate funds. Deposit of any amount whether in cash or check may be made for which a passbook of records of transactions is issued. Such deposit is interest-bearing and may be withdrawn anytime upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook, either by the depositor or his personal authorized representative.
- ❑ **Special Savings Deposit** – Deposit that may be made for a specified and fixed determinable future term at the option of the depositor, the shortest being thirty (30) days, for which a passbook of records of transactions is issued.
- ❑ **Long-Term Time Deposit** – This refers to long-term non-negotiable tax-exempt certificates of time deposit with denominations in increments of P 1,000.00 for a minimum maturity of five (5) years. Its interest shall be computed at prevailing Bank rates and payable upon presentment of covering passbook on specified term at the option of the depositor. Exemption from withholding tax shall be invalidated by pre-termination.

LOAN PRODUCTS

- ❑ **Agrarian Reform Loan** – This refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives, and compact farms, as provided for in P.D. 717.
- ❑ **Agricultural Credit Loan** – This refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing, storage and distribution of products resulting from these activities.
- ❑ **Medium and Small-Scale Enterprise Loan** – This refers to amortized cost of loans granted to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership and corporation.
- ❑ **Loans to Private Corporation** – This refers to the amortized cost of loans granted to private corporations, which shall include partnerships, single proprietorships and cooperatives, with total asset excluding land, exceeding ₱100,000,000.00. This type of loan shall be adopted commencing November 2025.
- ❑ **Loan for Housing Purposes** – This refers to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction, or improvement of a residential unit.
- ❑ **Loan for Other Purposes (Other Micro Enterprise Loan)** – This refers to the amortized cost of other loans granted to individuals that cannot be classified under any of the foregoing classifications. The same shall be presented under Other Micro Enterprise Loan in the Financial Reporting Package.
- ❑ **Loans for Consumption** – This refers to the amortized cost of loans granted to individuals for consumption purposes.

BUSINESS MODEL

As approved by the Bangko Sentral ng Pilipinas our Bank, **Hiyas Banking Corporation** (HIYAS), is categorized as a simple non-complex thrift bank, engaged in deposit solicitation and providing short-term working capital-, medium- and long-term financing to businesses engaged in agriculture, services, industry and housing as well as diversified financial services particularly to small and medium enterprises and individuals. HIYAS accredits to the retail funded business model with deposits being our primary source of fund. Our consumer-oriented services include demand and savings accounts, mortgages and various types of loans. Following are our key financial ratios, to wit:

TOTAL DEPOSIT LIABILITIES FOR 2025	
Demand	1,542,916
Savings	739,209,951
Time	48,113,203
Total Deposit	788,866,070

TOTAL GROSS LOANS FOR 2025	
Current	259,848,842
Past Due	38,503,146
Items in Litigation	17,071,059
Total Loans and Receivables	315,423,047

KEY FINANCIAL RATIOS FOR RETAIL BANKING

1. LOANS-TO-DEPOSIT RATIO

Loans and Receivables	315,423,047
Total Deposit Liabilities	788,866,070
Loans-to-Deposit Ratio	39.98%

1. NET INTEREST MARGIN

Interest Loans	10.00%
Interest Deposit	3.50%
Net Interest Margin	6.50%

3. LOANS-TO-ASSET RATIO

Loans and Receivables	315,423,047
Total Assets	1,050,648,758
Loans-to-Asset Ratio	30.02%

4. RETURN-ON-ASSET RATIO

Net Income	349,468
Total Assets	1,050,648,758
Return-on-Asset Ratio	0.03%

3. DEPOSIT-TO-ASSET RATIO

Total Deposit Liabilities	788,866,070
Total Assets	1,050,648,758
Deposit-to-Asset Ratio	75.08%

2. INVESTMENT-TO-ASSET RATIO

Total Investment	423,583,532
Total Assets	1,050,648,758
Investment-Asset Ratio	40.32%

The Bank's primary source of funding remains its deposit base, as reflected by the deposit-to-total-assets ratio of 75.08%. At one point, 40.32% of the Bank's funds had been allocated to long-term investments, specifically in government securities. This strategic move was taken during a period of declining loan portfolio performance, allowing the Bank to optimize excess funds and maintain income stability. These excess funds were placed in privileged, income-generating Held-to-Maturity (HTM) investments, strictly limited to government-issued notes and bonds to ensure safety and compliance. It is important to note, however, that this is no longer the Bank's current practice, as we have since ceased investing in long-term instruments in favor of more flexible and liquid financial strategies aligned with our revitalized lending focus.

PRESIDENT'S REPORT



FINANCIAL HIGHLIGHTS

MINIMUM REQUIRED DATA	2025	2024
Profitability		
Total Net Interest Income	53,194,972	44,073,085
Total Non-Interest Income	11,918,264	16,673,912
Total Non-Interest Expense	63,809,014	50,965,407
Pre-Provision Profit	1,304,222	9,781,590
Provision for Credit Losses	954,754	954,754
Net Income	349,468	8,826,836
Selected Balance Sheet Data		
Liquid Assets	160,518,395	198,664,282
Gross Loans	315,423,047	404,352,391
Total Assets	1,050,648,758	1,196,970,281
Deposits	788,866,070	861,235,192
Total Equity	173,169,284	172,851,410
Selected Ratios		
Return on Equity	0.20%	5.30%
Return on Assets	0.03%	0.69%
Capital Adequacy Ratio	21.23%	17.06%
Others		
Cash Dividends Declared	N.A.	N.A.
Headcount	50	50
Officers	9	9
Staff	41	41

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Philippines' gross domestic product (GDP) grew 3% year-on-year in the 4th quarter of 2025, below expectations of 3.8% and slowing from 3.9% in the previous quarter. This marked the softest growth since a contraction in 1st quarter of 2021, weighed down by fallout from a high-profile infrastructure corruption scandal, a string of devastating typhoons, and trade pressures that affected the Southeast Asian nation. Growth slowed in both government spending (3.7% vs. 5.8% in the 3rd quarter) and household consumption (3.8% vs. 4.1%), while fixed investment fell for the first time in over a year (-7.2% vs. 0.5%). Meanwhile, net trade contributed positively, as exports climbed 13.2% (vs. 7.4%), while imports rose 3.5% (vs. 3.2%). On the production side, activity softened in agriculture, forestry, and fishing (1% vs. 2.9%) and in services (5.2% vs. 5.4%), while industry output contracted (-0.9% vs. 0.7%). For the full year 2025, the Philippine economy expanded 4.4%, missing the government's target of 5.5%–6.5%. (Trading Economics | Philippine Statistics Authority)

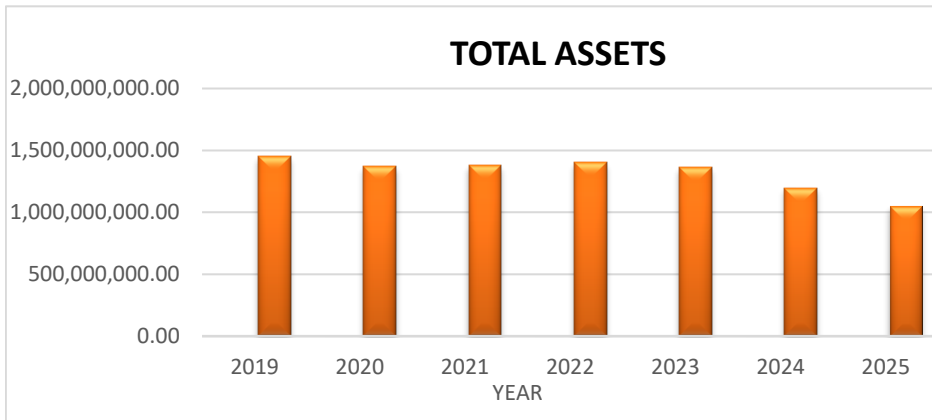
The Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr., in his keynote speech at the 2026 Annual Reception for the Banking Community on 23 January 2026, outlined the BSP key priorities centered on innovation, inclusion, and integrity. On innovation, the BSP is advancing initiatives such as 24/7 settlement systems and cross-border instant payments, while also enhancing economic models and analytical tools to better navigate uncertain global conditions. On inclusion, the BSP continues to promote measures such as retirement accounts and regulatory support, including Circular 1221, aimed at providing relief and facilitating recovery for communities affected by calamities. Governor Remolona emphasized the importance of integrity in maintaining trust in the financial system, noting that confidence in banks remains a critical pillar for economic growth and financial stability. He likewise highlighted the banking sector as a bright spot in the economy, given its sustained ability to uphold depositor trust and support lending activities.

On the home front, in 2025, the Bank continued to face challenges in sustaining adequate funding levels amid surge in deposit withdrawals, as clients redirected their savings toward personal consumption, business ventures, and alternative investments. This was further intensified by heightened competition from other financial institutions, particularly cooperatives and commercial banks offering more attractive rates, diversified investment products, and digital banking access. In addition, loan demand also softened compared to previous years, resulting in fewer loan applications and slower portfolio growth. There was also a minor indirect impact from developments involving public infrastructure projects, including issues surrounding the DPWH, which prompted the Bank to strengthen internal controls and monitoring mechanisms to ensure proper risk management and compliance. Despite these challenges, the Bank remained resilient and steadfast, continuously adapting its financial strategies to ensure sustained service delivery, compliance with capital requirements, and prudent management of funds and assets throughout the year.

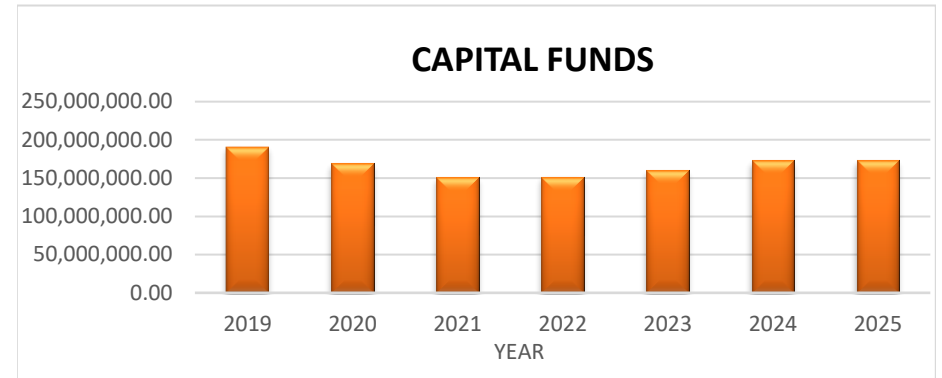
FINANCIAL HIGHLIGHTS:

The Bank closed the year with audited total resources amounting to ₱1,050,648,759.66, reflecting a decrease of ₱146,321,522.89 from the ₱1,196,970,282.55 recorded in 2024. This decline was primarily attributed to changes in client behavior, as significant numbers of depositors redirected their funds toward personal consumption, business expansion, real estate acquisitions, and other investment opportunities.

In addition, while loan repayments remained steady during the period, loan releases were comparatively lower than in previous years, resulting in a net decline of the loan portfolio. The combined effect of increased withdrawals and reduced lending activity contributed to the overall decrease in the Bank's total resources by year-end.

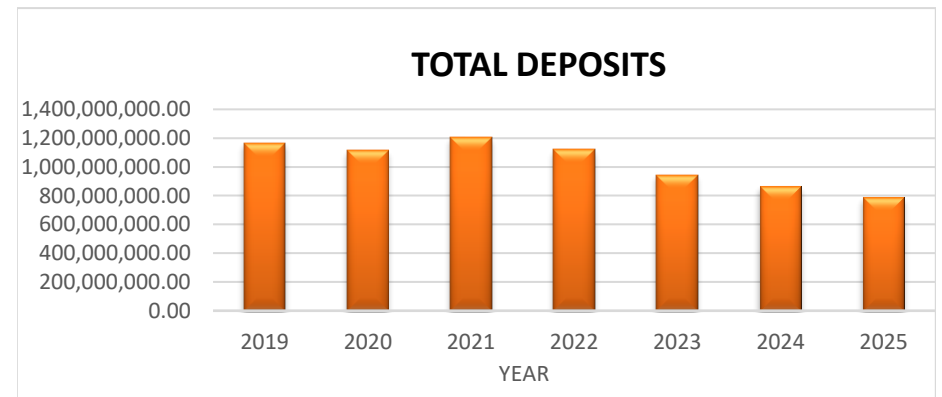


As part of our continued efforts to strengthen the Bank's financial position, the capital account posted steady growth, reaching ₱173,169,286.09, or an increase of ₱317,874.53 from the 2024 level of ₱172,851,411.56. Accordingly, the remaining capital gap to comply with the ₱300-million minimum capitalization requirement under Circular 854 has been reduced to ₱126,830,713.91. In line with this improvement, we maintained a Capital Adequacy Ratio (CAR) of 21.23%, significantly higher than the 10% regulatory minimum, highlighting our prudent capital management and strong financial position.



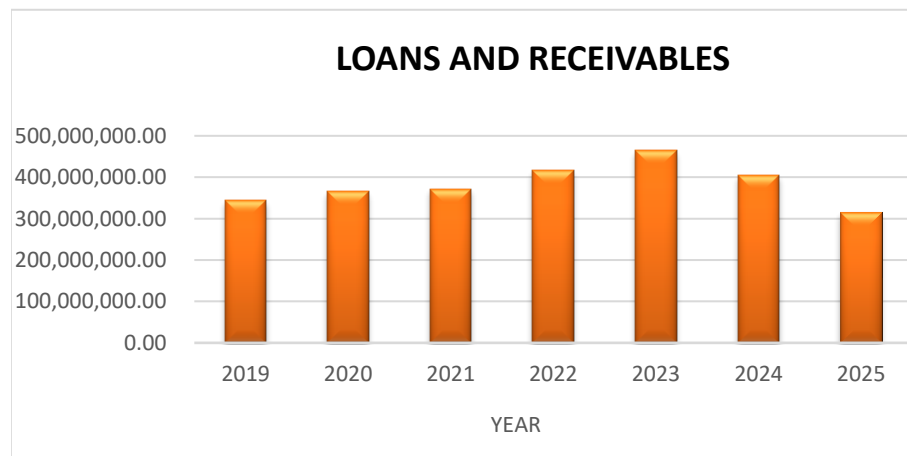
Our deposit generation and solicitation initiatives encountered challenges during the period as numbers of clients redirected their funds to support business expansion, personal requirements, and alternative investment opportunities. This was further intensified by heightened competition from other financial institutions, particularly cooperatives and commercial banks offering more attractive rates, diversified investment products, and digital banking access. As a result, withdrawals increased, bringing our year-end 2025 deposit liabilities portfolio to ₱788,866,070.47, reflecting a decrease of ₱72,369,121.85 from the prior year's ₱861,235,192.32.

Notwithstanding the contraction in deposit liabilities, we were able to sustain a liquidity ratio above the minimum liquidity ratio (MLR) requirement, ending the year at 23.842%. Although this is 3.286 percentage points lower than the 27.128% recorded in 2024, it remains 3.842 percentage points above the prescribed regulatory threshold, indicating continued adherence to prudent liquidity management and regulatory standards despite the impact of higher-than-usual withdrawals.



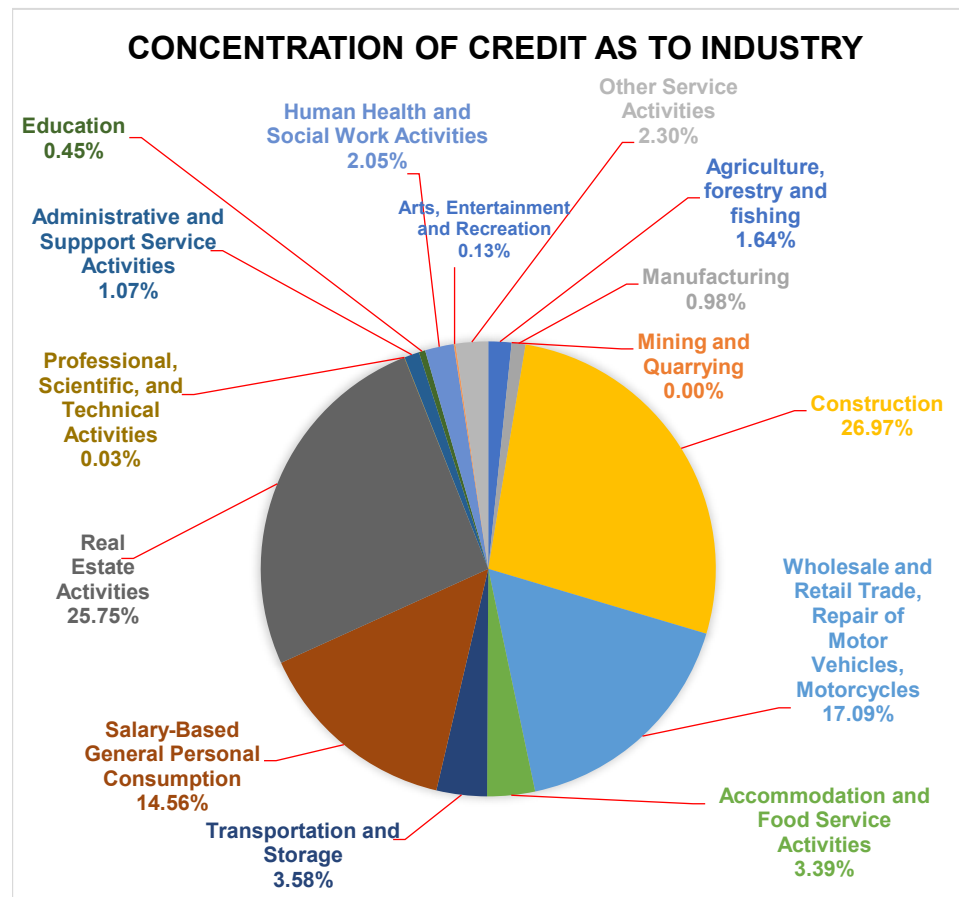
On the other hand, our loan portfolio registered a decline of 21.99%, closing at ₱315,423,046.72 as of 31 December 2025, or lower by ₱88,929,344.54 compared to last year's ₱404,352,391.26. This downward trend was primarily driven by intensified collection efforts on long outstanding and past due accounts, resulting in a significant number of full or partial settlements, account regularizations, and some foreclosed accounts. In addition, loan demand was relatively subdued during the year, with fewer applications received compared to prior periods.

For the year, total loan releases amounted to ₱117,592,378.00, which is lower by ₱11,765,308.00 than the ₱129,357,686.00 recorded in 2024, further contributing to the reduction in the overall portfolio. Despite this, management remains confident that loan growth will regain momentum in the coming months, supported by sustained and more aggressive marketing and loan solicitation initiatives, competitive pricing strategies, and improved turnaround time in loan processing, all of which are expected to enhance borrower accessibility, expand market reach, and further improve overall lending efficiency.



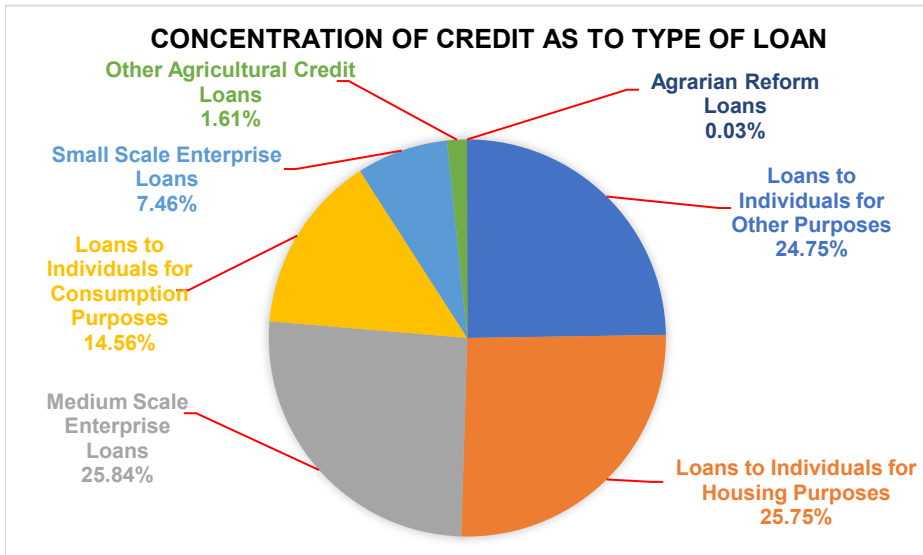
A closer review of our loan portfolio shows a manageable concentration in the construction, real estate, and wholesale/retail trade sectors, which is consistent with current economic conditions in the Philippines where growth continues to be driven by infrastructure development, urban expansion, and steady consumer spending.

The construction sector continues to benefit from ongoing infrastructure activity, housing developments, and property improvements, which sustain steady demand for lending and borrowing. While recent developments in public infrastructure projects have drawn some attention, overall sector demand remains supported by a strong base of private contractors and non-government construction activities, which continue to account for most credit exposure. Real estate activity likewise remains stable as residential and commercial projects proceed to meet the needs of a growing population and expanding urban centers. Meanwhile, the wholesale and retail trade sector is supported by steady household consumption and improving business activity, as more goods are distributed and sold in line with everyday consumer needs. As businesses expand and economic activity gradually strengthens, demand for both commercial spaces and trade-related lending also remains present. These sectors continue to reflect the direction of the local economy, and the Bank's exposure remains well-managed within these key growth areas.



As per type of loan, we cater most to medium-scale enterprise loans, housing loans to individuals, and other purpose loans which largely include micro-enterprise financing. These accounts are mostly related to construction businesses, development of commercial, residential, and apartment buildings, acquisition of delivery trucks, and additional working capital for small businesses such as sari-sari stores. This is followed by consumption loans and small-scale enterprise loans, which likewise form part of the retail lending segment.

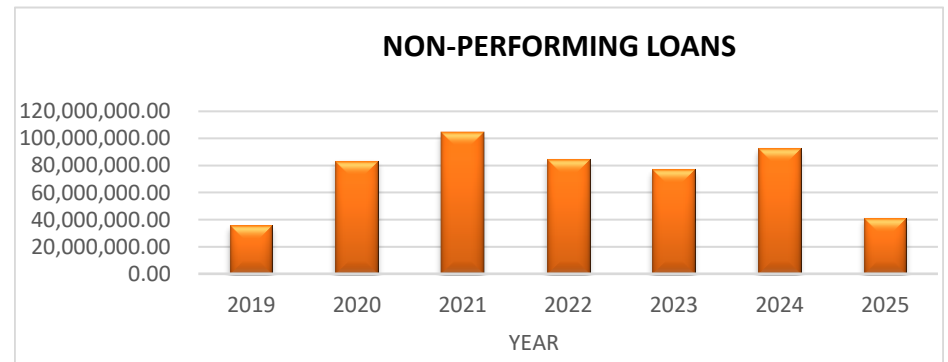
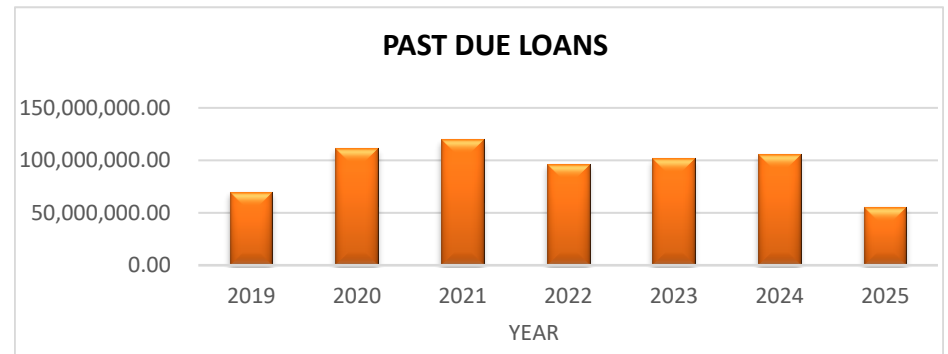
While we continues to actively pursue portfolio expansion in Other Agricultural Credit Loans and Agrarian Reform Loans (Agriculture, Fisheries, and Rural Development Financing, given that in areas of our branches such as Santa Maria and Norzagaray agricultural activity is still present, loan applications for these segments remain limited mainly due to the gradual shift of many clients from traditional farming and agriculture-based livelihoods toward more commercial and business-oriented activities, as well as the increasing preference for trade, services, and small enterprise ventures over agriculture-based income sources.



Due to our continuous and intensified collection efforts on past due accounts, past due loans as of 31 December 2025 significantly declined to ₱55,574,205.13, reflecting a decrease of ₱50,364,897.87 from last year's ₱105,939,103.00. This improvement also resulted in a lower past due ratio of 17.62% as of year-end 2025, down by 8.58 percentage points from 26.20% in the previous year.

Our non-performing loan (NPL) ratio likewise improved, decreasing by 9.72 percentage points, with NPLs reduced by ₱50,984,083.86 to ₱41,374,514.05 as of year-end 2025, from ₱92,358,597.91 in 2024.

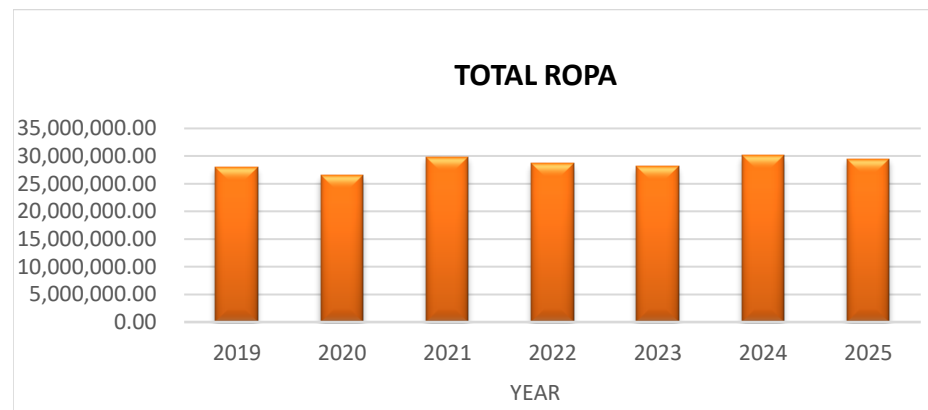
The remaining portfolio of past due and non-performing accounts continues to be closely monitored by management. Borrowers have been consistently contacted through phone calls, written demand letters, and personal visits by Bank personnel, resulting in partial or full payments and account regularizations for some clients, while others have already been endorsed for collateral foreclosure due to inability to settle their obligations. Management remains optimistic that sustained and coordinated collection efforts, including continued legal actions on long outstanding accounts and strict monitoring of remaining exposures, will further strengthen asset quality and reduce the level of past due and non-performing loans.



Negotiations for the disposal of our Real and Other Properties Acquired (ROPA) progressed at a relatively slow pace, with actual disposals materializing only in the third and fourth quarters of 2025. For the year, we are able to sell six (6) ROPA properties with a total selling price of ₱6,210,500.00, resulting in a gain on sale amounting to ₱4,283,789.91. In addition, as a result of intensified collection efforts by management, including the endorsement of long outstanding non-paying accounts to Legal Counsel, five (5) borrowers covering six (6) promissory notes, who were unable to settle their obligations despite several demands, were acquired by the Bank through extrajudicial foreclosure. Consequently, the ROPA portfolio, which stood at a net book value of ₱32,328,413.56 in 2024, decreased by ₱586,132.00, bringing the total net book value to ₱31,742,281.56 as of 31 December 2025.

The notable decrease of ₱17,680,659.22 in the Bank's Sales Contract Receivables, net of allowance for credit losses, which now stands at ₱35,327,202.62 compared to ₱53,007,861.84 in 2024, is primarily attributed to collections and payments received during the year, reflecting our continued efforts to actively monitor and collect outstanding receivables, resulting in improved realization of previously recorded balances. The remaining balance of Sales Contract Receivables (SCRs), particularly non-performing accounts, continues to be closely monitored by management. Clients have been consistently reached through phone calls, written demand letters, and personal visits by Bank personnel, resulting in partial or full payments and account regularizations for some clients. Meanwhile, accounts that remain unsettled despite repeated follow-ups have already been endorsed to Legal Counsel for cancellation of the Contract to Sell due to inability to comply with their obligations. Management remains optimistic that, similar to the improvement observed in past due loan accounts, sustained and coordinated collection efforts, supported by continued legal actions on long overdue accounts and strict monitoring of remaining exposures, will further strengthen asset quality and contribute to the reduction of non-performing SCRs.

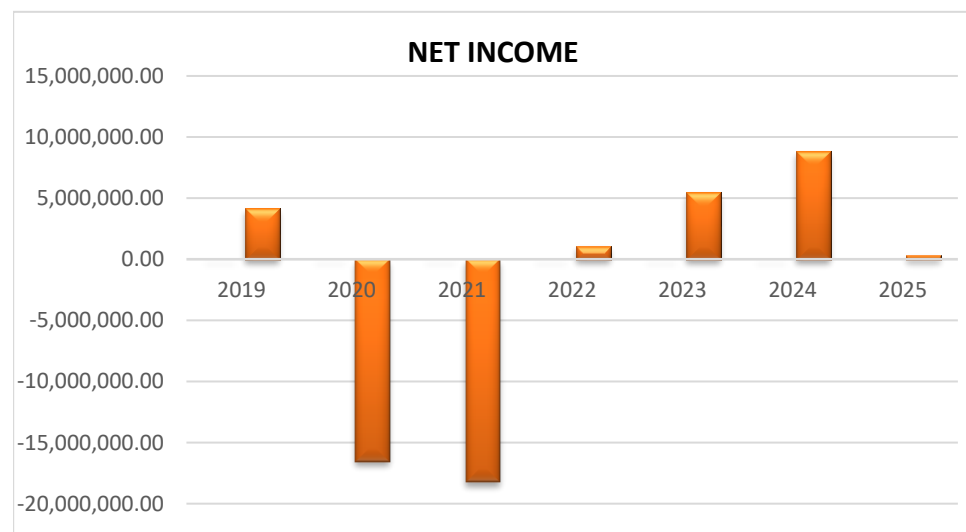
Disposal of the few remaining big-ticket ROPA accounts, particularly that of Mr. Joaquin Lagman, remains a key priority for management, as its successful sale is expected to support capital build-up and improve our financial position. In cases where buyers opt for installment arrangements, this may increase the SCR portfolio and help generate steady cash inflows over the payment period, while outright cash sales would immediately strengthen our liquidity position by providing additional funds that may be used for lending activities, new loan applications, or, if excess funds are available, invest in high-yield deposit placements with other banks. Accordingly, the timely disposal of these ROPA assets beneficial for both capital build-up and liquidity management depending on the mode of sale agreed with potential buyers.



Gross income declined by 4.06%, closing at ₱86,285,248.45 for the year, or lower by ₱3,649,944.06 from the previous year's ₱89,935,192.51. The decrease reflects the combined effect of improved revenue-generating efforts, particularly from stronger loan collection performance, tempered by lower collections from sales contract receivables, reduced income from the sale of Real and Other Properties Acquired (ROPA), and a decline in the Held-to-Maturity (HTM) investment portfolio, which consequently resulted in lower interest income from such investments. On the expenditure side, total gross expenses amounted to ₱85,935,779.92, reflecting a significant increase of ₱4,827,424.31 from the 2024 level of ₱81,108,365.61. The increase was primarily attributed to intensified collection efforts on past due and non-performing loans, which resulted in a higher number of accounts being endorsed to the Legal Office and, consequently, increased litigation expenses. This was further compounded by higher tax expense recognized as an audit adjustment during the year, arising from the reversal of various tax benefits related to written-off and reversed allowances for credit losses, retirement benefit payments, and the expiration of net operating loss carry-over

(NOLCO), particularly those pertaining to taxable years 2020 and 2022. As a result, the Bank recorded a net income of ₱349,468.53 for the year, a decrease of ₱8,477,368.37 from the ₱8,826,836.90 reported in 2024, reflecting the impact of higher operating and tax-related expenses on overall profitability.

Overall, the Bank's operations performed satisfactorily throughout the year, with monthly results from January to December 2025 consistently reflecting net income at the bottom line, indicating maintained stability and continued competitiveness. The year ended with an unaudited net income of ₱7,361,813.96, largely driven by core banking operations. Although this was reduced by significant tax expenses arising from tax benefit reversals and expirations recognized as audit adjustments, the impact of these adjustments was sufficiently absorbed by the Bank's net revenues for the year, enabling the Bank to still post a positive overall financial result.



For the year, the Bank granted and released a single loan accommodation to its Directors, Officers, Stockholders, and Related Interests (DOSRI) amounting to ₱2,500,000.00, with an outstanding balance of ₱2,321,330.60 as of December 31, 2025. The recorded DOSRI balance of ₱666,573.24 in 2024 was fully settled during 2025; hence, the newly released loan represents the sole outstanding DOSRI exposure for the period. On the other hand, transactions with Related Parties (RPT) decreased by ₱54,874,073.22, from ₱361,232,520.22 in 2024 to ₱306,358,447.00 in 2025, primarily composed of deposits, loans, and sales contract receivables. The Bank also recorded 38 transactions with Politically Exposed Persons (PEPs) amounting to ₱49,479,700.59, reflecting an increase of ₱10,109,475.92 from ₱39,370,224.67 in 2024, which comprised 39 transactions.

PROSPECTS FOR 2026:

As posted on the International Monetary Fund official website in its World Economic Outlook Update dated January 2026, "Global growth is projected at 3.3 percent for 2026 and 3.2 percent for 2027, revised slightly up since the October 2025 World Economic Outlook. Technology investment, fiscal and monetary support, accommodative financial conditions, and private sector adaptability offset trade policy shifts. Global inflation is expected to fall, but US inflation will return to target more gradually. Key downside risks are reevaluation of technology expectations and escalation of geopolitical tensions. Policymakers should restore fiscal buffers, preserve price and financial stability, reduce uncertainty, and implement structural reforms." (*International Monetary Fund | World Economic Outlook Update, January 2026 - Global Economy: Steady Amid Divergent Forces*)

However, in its World Economic Outlook Update released in April 2026, it provides that: "After withstanding higher trade barriers and elevated uncertainty last year, global activity now faces a major test from the outbreak of war in the Middle East. Assuming that the conflict remains limited in duration and scope, global growth is projected to slow to 3.1 percent in 2026 and 3.2 percent in 2027. Global headline inflation is projected to rise modestly in 2026 before resuming its decline in 2027. Slowdown in growth and increase in inflation are expected to be particularly pronounced in emerging market and developing economies. Downside risks dominate the outlook. A longer or broader conflict, worsening geopolitical fragmentation, a reassessment of expectations surrounding artificial-intelligence-driven productivity, or renewed trade tensions could significantly weaken growth and destabilize financial markets. Elevated public debt and eroding institutional credibility further heighten vulnerabilities. At the same time, activity could be lifted if productivity gains from AI materialize more rapidly or trade tensions ease on a sustained basis. Fostering adaptability, maintaining credible policy frameworks, and reinforcing international cooperation are essential to navigating the current shock while preparing for future disruptions in an increasingly uncertain global environment." (*International Monetary Fund | World Economic Outlook Update, April 2026 - Global Economy in the Shadow of War*)

Moreover, during the International Monetary Fund press briefing on Asia and the Pacific held on April 16, 2026, a question was raised regarding the Philippines, focusing on the recent downward revision of its growth projections and the government's fiscal capacity amid emerging global challenges.

The question highlighted that the country's growth forecast for 2026 was reduced to 4.1 percent from the earlier projection of 5.6 percent in January, while the 2027 projection was maintained at 5.8 percent. It then sought clarification on whether this adjustment suggests that the economic impact of the current crisis is expected to be temporary, as well as the key drivers behind the anticipated recovery in the following year. Further, the inquiry raised concerns regarding the country's fiscal position,

noting existing budget deficits and domestic headwinds that have already slowed fiscal consolidation even prior to the onset of the crisis. It specifically asked how the government could ensure that its fiscal response would not further strain the economy, and whether it has the capacity to sustain fuel subsidies or consider suspending excise taxes on fuel for the duration of the conflict.

In response, Krishna Srinivasan, Director of the Asia and Pacific Department of the IMF, explained that the Philippines' growth forecast was revised downward primarily due to weaker economic momentum entering 2026. He noted that investor sentiment had already been dampened by governance concerns, particularly issues related to public flood control projects, even before the external shock occurred. He further emphasized that the Philippines, being a highly energy-intensive economy with significant reliance on imports, is particularly vulnerable to external shocks, which have materially affected its economic outlook. On the matter of policy response, he underscored the importance of prudence, noting that many countries, including the Philippines, have experienced multiple shocks over the past decades, leading to diminished fiscal buffers. As such, he stressed that any government support measures should be well-targeted and efficient, given the uncertainty surrounding the duration of the crisis. He also pointed out that the country's debt level, which stands at around 60 percent, limits its fiscal space. Therefore, it is crucial for the government to utilize its available resources judiciously. This approach, he noted, is particularly important not only for the Philippines but also for other economies in the region that are heavily dependent on imports and lack sufficient energy reserves. *(International Monetary Fund | Transcript, April 16, 2026 – Asia Pacific Department, Spring Meeting 2026)*

In the local landscape, Department of Finance Undersecretary Domini S.D. Velasquez, during the 2025 Annual Convention of the Chamber of Thrift Banks (CTB) held on 28 July 2025, presented the country's economic outlook amid evolving global and domestic challenges, emphasizing the critical role of thrift banks in sustaining economic resilience. Velasquez described thrift banks as "anchors of resilience," highlighting their contribution in extending financial services to grassroots communities and supporting economic activity during periods of volatility. Despite external risks such as global trade slowdowns and heightened uncertainty, she underscored the Philippines' strong economic fundamentals, supported by ongoing fiscal reforms, demographic advantages, and structural resilience. She reported that the economy grew by 5.4 percent in the first quarter of 2025, driven by household consumption, public construction, and expansion in the services sector, with growth also recorded in industry and agriculture. She further emphasized the country's demographic strength, noting a young and growing labor force, placing the Philippines in a "demographic sweet spot" that is expected to peak by 2035. On fiscal policy, Velasquez outlined the government's Medium-Term Fiscal Program, which aims to gradually reduce the debt-to-GDP ratio and fiscal deficit, thereby strengthening the country's fiscal position. She also highlighted key revenue-enhancing reforms, including the

CREATE MORE Act and the Ease of Paying Taxes Act, supported by ongoing digitalization efforts of the Bureau of Internal Revenue. In addition, she cited improvements in tax collection from digital platforms and anti-tax evasion initiatives, as well as increased non-tax revenues from public-private partnership projects, particularly in airport development. Velasquez concluded by emphasizing that resilience is a shared responsibility, encouraging thrift banks to expand their role and impact in driving inclusive growth and community development across the country.

Moreover, in a press briefing dated February 02, 2026, Finance Secretary Frederick Go expressed optimism that the Philippine economy will recover in 2026, projecting GDP growth of at least 5 percent, within the government's 5 to 6 percent target range. Speaking at the Foreign Correspondents Association of the Philippines, he noted that economic growth in 2025 was affected by both domestic issues, such as the flood control controversy, and external factors including global trade tensions and natural disasters. He emphasized that resolving governance issues, particularly through prosecution, restitution, and reforms, could help restore confidence and support economic recovery. Go also cited strong economic fundamentals, easing inflation, and favorable credit ratings as key factors that will aid growth. In addition, he highlighted ongoing structural reforms and improved government spending efficiency, with significant public expenditure planned to stimulate the economy, focusing on projects with high multiplier effects. *(ABS-CBN News, February 02, 2026 – Finance Sec. Go: PH economy to bounce back, to grow by at least 5% in 2026)*

Additionally, the Asian Development Bank lowered its 2026 GDP growth forecast for the Philippines to 4.4 percent from 5.3 percent, citing uncertainties due to the Middle East conflict. Teresa Mendoza, ADB Philippines Senior Economic Officer, explained that the projection assumes a short-lived conflict, but warned that inflationary pressures and uncertainty may dampen investment and erode household purchasing power. Inflation is now projected at 4 percent in 2026 before easing to 3.5 percent in 2027, while GDP growth for 2027 is expected at 5.5 percent, supported by domestic demand and prior policy rate cuts. Andrew Jeffries, ADB Philippines Country Director, emphasized that the country's heavy reliance on imported fuel makes it vulnerable to external shocks, and a prolonged conflict could further weaken growth, with more pronounced effects on certain sectors. Mendoza also noted that remittances and investments remain at risk if the conflict persists, despite their historical resilience. The ADB also cited additional risks, including severe weather events and delays in public investment, and flagged uncertainty in the government's borrowing program as fiscal priorities are reassessed. Jeffries underscored the need for sustained structural reforms and affirmed that the ADB is prepared to support the Philippines in mitigating the impact of these external challenges. *(The Philippine Star, April 11, 2026 – ADB Trims 2026 Philippines Growth Outlook to 4.4 percent)*

The year 2025 proved to be a meaningful and productive year for the Bank. Despite encountering several challenges, we remained resilient and steadfast in our operations. Among the primary challenges we encountered was sustaining adequate funding levels amid surge in deposit withdrawals, as clients redirected their savings toward personal consumption, business ventures, and alternative investments. This situation was further intensified by heightened competition from other financial institutions, particularly cooperatives and commercial banks offering more attractive interest rates, diversified investment products, and digital banking access. At the same time, loan releases declined due to weaker demand for credit. Notwithstanding these challenges, our resilience and perseverance, qualities that have defined our 50-year journey, remained our strongest assets, guiding us in maintaining stability and achieving positive results, as evidenced by the consistently positive bottom line reflected in the Income Statement throughout the year, with the majority of revenues generated from core operations. From a liquidity standpoint, while the deposit portfolio did not register growth, intensified credit collection efforts significantly strengthened our financial position. The funds generated from these collections were utilized to substantially reduce our outstanding obligation with the Land Bank of the Philippines, from a balance of ₱129,690,840.97 in 2024 to ₱58,869,114.48 as of December 31, 2025. With regards to our loan portfolio, although loan solicitation declined due to low demand, we remain optimistic about our outlook, particularly as we now have available funds compared to 2024 when limited access to low-cost financial resources necessitated reliance on high-cost borrowings. Nevertheless, there remains a need to further strengthen our deposit base through more focused and strategic solicitation and marketing efforts.

Given our Bank's absence of online or digital banking capabilities, we face challenges in competing with larger commercial banks; however, we are addressing this by consistently expanding our online presence through social media platforms and our official website to enhance visibility and client engagement, while simultaneously capitalizing on the strengths of traditional banking by emphasizing secure and reliable transactions free from system glitches and online scams, along with our personalized service, trust, and strong client relationships, directing our efforts toward non-tech-savvy and middle-income clients by encouraging deposits, even in smaller amounts but on a broader scale, and offering deposit pick-up arrangements for our business clients to improve convenience and further strengthen relationships. Parallel to our deposit generation initiatives, we also aim to actively promote our loan products and expand our loan portfolio, particularly in personal loans and small business loans, with these efforts intended to support employees, micro-entrepreneurs, and small business owners while we continue to provide professional guidance to our business clients to help improve their working capital management and strengthen their business networks. We remain committed to maintaining vigilance in ensuring that every loan we extend meets the highest standards of quality while staying focused on upholding the foundation we have built over the years, rooted in

dedicated service, unwavering integrity, and a personalized approach to every client. It is worth noting that a significant portion of our loan portfolio is driven by the trust of our long-standing clients and the referrals they provide, highlighting the powerful influence of positive word-by-mouth publicity as a testament to the exceptional quality of our services and the strong, lasting relationships we continue to foster.

We remain fully committed to achieving our goal of reducing past due and non-performing loan ratios to single-digit levels, at par with industry standards. To this end, we continuously implement intensified collection strategies, including the strict enforcement of timelines for endorsing delinquent accounts to Legal Counsel for the issuance of demand letters and the initiation of foreclosure proceedings should payment not be made within the period specified in the demand. As a key development, in the first quarter of 2026, our past due loan portfolio decreased to ₱46,057,369.31 translating to a 15.90% past due ratio, equivalent to a 1.73 percentage point improvement. The Loans Department, together with all Branch units, continues to closely monitor long-outstanding past due accounts with unmoving balances and no response to the Bank's follow-ups and notifications, ensuring that these accounts are promptly addressed through the necessary legal action. Through these sustained and coordinated initiatives, we remain optimistic about further reducing the levels and ratios of past due and non-performing loans, as well as realizing the potential reversal of Allowance for Credit Losses booked in previous years, signaling a stronger and more positive financial performance trajectory.

As part of our proactive asset management strategy, we have undertaken a more aggressive stance in the disposal of our remaining foreclosed properties, maximizing the use of digital platforms, particularly the Bank's official website and social media channels, to boost the visibility of our Real and Other Properties Acquired (ROPA) disposal campaigns. This includes the implementation of customized disposal strategies, especially for big-ticket accounts, to attract the right buyers and expedite asset disposal.

For our capital, at present there is no plan to increase the ₱100 million authorized capital stock, instead, we continue to reinforce our commitment to strengthening the Bank's financial position through the improvement of revenue-generating assets and the prudent management of resources. We stay dedicated and focused on enhancing operational efficiency and sustaining financial discipline by continuously growing income-generating activities while carefully managing expenditures. This includes the active promotion of sustainability initiatives such as equipping bank premises with energy-efficient LED lighting, the continuous implementation of a paperless office system to reduce printing and paper consumption, and the gradual replacement of office equipment with inverter or energy-efficient models to lower power usage. In addition, we optimize fieldwork schedules to ensure the efficient use of service vehicles, thereby reducing unnecessary trips and contributing to lower fuel consumption. Through these

coordinated efforts, we aim not only to maintain financial stability but also to promote a more cost-efficient, environmentally responsible, and sustainable banking operation.

On the other hand, the regular examination of the Bank as of 30 June 2025 was conducted by the Bangko Sentral, headed by Ms. Marnylle S. Bonilla, on 27 August 2025 to 16 September 2025. This onsite risk assessment exercise resulted to a SAFr composite rating of “**3 - Stable**” for the Bank, i.e., the Bank is stable with moderate overall net risk driven by above average credit risk but mitigated by acceptable compliance and internal audit functions. Overall institutional level support is acceptable in view of acceptable capital and liquidity, despite inadequate governance and earnings. Nonetheless, supervisory concerns are within the ability of the Board and Management to address in the normal course of business. Various initiatives addressing all findings and directives noted in the Bangko Sentral ng Pilipinas (BSP) Report of Examination (ROE) have already been implemented and are currently being sustained by the Bank. The BSP, in its evaluation of the Bank’s responses to the ROE, noted that we have sufficiently addressed the directives from the ROE, indicating that the corrective actions undertaken by Management were deemed **ACCEPTABLE**. The Bank affirms that compliance with BSP directives is being fully observed and will be continuously strengthened through sustained implementation, regular review, and ongoing enhancement of existing systems and controls to ensure continued regulatory compliance and operational soundness.

Looking ahead, we embrace the coming year with optimism, determination, and compassion, carrying forward the same drive and eagerness from the past year as we continue to strengthen and further enhance the strategies implemented in the previous period in pursuit of sustained growth and progress. This forward-looking stance is anchored on HIYAS Bank’s strong service culture, characterized by prompt and immediate action on customer concerns and sustained client loyalty, which continues to reinforce the trust and confidence of the Bank’s stakeholders. With a strong foundation, a resilient and committed team, and a legacy built for fifty years of trusted service, we remain confident in our ability to adapt to the evolving financial landscape with focus and determination. Over the years, the Bank has likewise built strong ties within the local community, establishing itself as one of the leading thrift banks in the area, further solidifying its role as a dependable financial partner. As we mark our 50 golden years, we continue our journey as a small yet competitive player in the industry, steadfast in our dedication to preserving the trust, loyalty, and confidence of the public and our stakeholders. At the same time, we express our heartfelt gratitude for the fifty golden years of service, trust, and shared progress, and we move forward with a deep sense of appreciation for the journey that has shaped the Bank into what it is today. With the continued guidance and protection of our beloved Patroness, La Purisima Concepcion, we face the future with faith and certainty, carrying forward the belief that continued success will be achieved through perseverance, unity, and unwavering commitment to our mission.

RISK MANAGEMENT

RISK MANAGEMENT CULTURE AND PHILOSOPHY

The Board and management views risk management as an integral part and an essential element of good corporate governance. The Bank is a risk-averse financial institution, which basically reflects the view that satisfactory fulfillment of its role and responsibilities could be seriously jeopardized if there were to be significant disruptions to its operations and/or damage to its reputation. The Bank functions within an environment characterized by continuous change and uncertainty, which requires constant monitoring and analysis of, and appropriate response to, potential and actual risks emanating from the global political and economic environment.

In this regard, the Bank had established a risk management policy that ensure risks are managed in a coordinated, comprehensive and systematic manner that is consistent with internationally accepted standards and guidelines. This policy regulates all risk management initiatives and activities facilitating their alignment with the Bank’s strategic and operational objectives to ensure that threatening risks are adequately and effectively managed at acceptable levels. The Bank subscribes to the definition of risk management as an active process requiring commitment and focus, the strict implementation of which through operational procedures and control will promote and develop stability of the Bank’s financial condition; protect the interest and investment of both the stockholders and the Bank’s clientele and promote efficient and safe banking operations and practices at all times.

RISK MANAGEMENT GOVERNANCE FRAMEWORK

❑ RISK MANAGEMENT GOVERNANCE STRUCTURE

The ultimate responsibility for risk management lies with the Board of Directors who should make risk management objectives and policies a key driver of their overall business strategy and implement through operational procedures and controls. The Bank's Risk Management Officer assists the Board to ensure a dedicated focus on risk management of the Bank.

The support and control functions of internal audit, compliance, risk management, information technology and human resources all form an integral part of the overall risk management system.

Within the risk framework defined by the Board of Directors, the Management of the Bank has established risk management policies designed to ensure that these risks are identified, appropriately measured and controlled, and monitored and reported. To achieve these objectives, the Bank has an independent, integrated risk management function covering both financial and operational risks. The Risk Management Officer designated for the purpose develops corresponding policies and proposals, and monitors adherence to defined rules and limits and reports directly to the Board of Directors the results of such monitoring efforts.

❑ RISK MANAGEMENT FUNCTION

The risk management function is generally responsible for:

- a. Overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction.
- b. Ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank.
- c. Responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis.
- d. Responsible for overseeing the management of E&S risks.
- e. Supporting management policies, defining roles and responsibilities, and setting goals for implementation.
- f. Assisting management in developing processes and controls to manage risks and issues.
- g. Providing guidance and training on risk management processes.
- h. Facilitating and monitoring implementation of effective risk management practices by operational management.
- i. Reporting on a regular basis to senior management and to the Board of Directors of the results of assessment and monitoring.

Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the banking business, the developments in the market, industry and product lines as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the Bank's activities.

❑ RISK MANAGEMENT AND CONTROL POLICIES

- Oversight function of the Board of Directors and senior officers in the over-all risk management process;
- Comprehensive internal control and audit procedures that will guide management to adeptly manage risks;
- Detailed structure of limits, guidelines and other parameters to govern risk-taking indicating propriety of management oversight to ensure compliance with risk limits --- be it regulatory or industry limits;
- Continuous measuring, monitoring and controlling of all risks paying high attention to credit and liquidity risks;
- Accurate and reliable management information;
- Clearly delineated responsibilities for managing risk based on the three (3) lines of defense;
- Framework for risk data aggregation and risk reporting;
- Frequent and periodic management reporting;
- Sound control and operational systems; and
- High level of personnel professionalism

❑ RISK MANAGEMENT PROCESS

Risk management processes are the procedures, programs, and practices that impose order on the Bank's pursuit of its objectives. Processes define how daily activities are carried out. Effective processes are consistent with the underlying policies, are efficient, and are governed by checks and balances.

a. RISK IDENTIFICATION

Risk identification is the process of determining risks that could potentially prevent the Bank from achieving its objectives. Risk identification should be a continuing process and should occur at both the transaction and portfolio level.

Risk Categories

While the types and degree of risks the Bank may be exposed to depend upon a number of factors, such as its size, complexity, business activities, and volume, the Bank had identified the following categories of risks as critical risks of the Bank, to wit:

INTERNAL RISKS

- ✚ **Credit Risk** is the risk of default that may arise from a customer or other party failing to fulfill the obligation to the Bank according to the credit agreement. Included in the credit risk are the risk of default of debtor, the risk of financing concentration, counter party credit risk, and settlement risk.
- ✚ **Market Risk** is the risk in the balance sheet position and administrative account due to the changes in the market prices, that includes the risk of changes in the value of tradeable or rentable asset.
- ✚ **Interest Rate Risk** is the risk arising from movements in interest rates.
- ✚ **Liquidity Risk** is the risk due to the inability of the Bank to fulfil the short-term obligation by using its cash flow as the source of fund and/or high quality pledgeable liquid assets without creating any disruption in the Bank activities and financial condition.
- ✚ **Operational Risk** is the risk of loss due to inadequate internal process, failure of internal process, human error, system error, inability to manage information and/or the occurrence of external events impacting the Bank operations. Operational risk encompasses product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.
- ✚ **Information Technology Risk** is the potential for technology weaknesses to result in shortfalls. This includes the potential for project failures, operational problems and information security incidents. IT structures that fail to support operations or projects.
- ✚ **Legal Risk** is the risk due to lawsuits and/or weaknesses in juridical aspects.
- ✚ **Strategic Risk** is the risk arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Bank's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals, and the quality of implementation.
- ✚ **Compliance Risk** is the risk arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.

EXTERNAL RISKS

- ✚ **Reputational Risk** is the risk due to the diminishing confidence level of the stakeholders resulting from the negative perception of the Bank.
- ✚ **Social Media Risk** is the potential threats or adverse consequences that may be encountered as a result of presence and activities on social media platforms.
- ✚ **Environmental and Social (E&S)** refers to potential financial, legal and/or reputational negative effects of environment and social issues on the Bank. E&S include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity, and cultural heritage, among others.
- ✚ **Natural Calamities and Disaster Risk** is the effect of a natural hazards, e.g., flood, volcanic eruption, earthquake, or landslide, that affect the environment and lead to financial, environmental, and/or human losses.
- ✚ **Physical Risk** refers to the potential loss or damage to tangible assets arising from climate change and/or weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.
- ✚ **Transition Risk** refers to the potential economic adjustment cost resulting from policy, legal, technology and market changes to meet climate change mitigation and adaptation requirements.

b. RISK ASSESSMENT

Risk assessment is the process of determining the likelihood that a specified negative event will occur. It is the way in which the Bank gets a handle on how significant each risk is to the achievement of the company's overall goal.

The Risk Management Officer conducts risk assessment of the Bank's identified risk areas on an annual basis, assessing the same as Low, Moderate or High using specific key risks indicator.

The assessment of the Bank's risk areas are as follows:

<i>Risk Areas</i>	<i>Key Risks Indicator</i>	<i>Bank Assessment</i>
<i>Credit Risk</i>	<ul style="list-style-type: none"> ▪ <i>Past Due Ratio</i> ▪ <i>Non-performing Loan Ratio</i> 	<i>High</i>
<i>Market Risk</i>	<ul style="list-style-type: none"> ▪ <i>Interest Rates</i> 	<i>Low</i>
<i>Liquidity Risk</i>	<ul style="list-style-type: none"> ▪ <i>Minimum Liquidity Ratio</i> 	<i>Moderate</i>
<i>Operational Risk</i>	<ul style="list-style-type: none"> ▪ <i>Net earnings and Capital</i> 	<i>Moderate</i>
<i>Legal Risk</i>	<ul style="list-style-type: none"> ▪ <i>Number of legal cases</i> 	<i>Low</i>

Risk Areas	Key Risks Indicator	Bank Assessment
Information and Technology Risk	<ul style="list-style-type: none"> ▪ IT incident reports ▪ Connectivity issues 	Low
Social Media Risk	<ul style="list-style-type: none"> ▪ Complaints/negative feedback received from social media account 	Low
Reputational Risk	<ul style="list-style-type: none"> ▪ Complaints 	Low
Compliance Risk	<ul style="list-style-type: none"> ▪ Penalties 	Low

c. RISK LIMITS

Risk limits refer to the allocation of the Bank's risk appetite statement to specific risk categories (e.g., credit, market, liquidity, operational); the business unit or platform level (e.g., retail, capital markets); lines of business or product level (e.g., concentration, value-at-risk (VaR), or other limits; and other levels, as appropriate.

Control limits should be valid tools that management should be able to adjust when conditions or risk tolerances change. The Bank should have a process to authorize exceptions or changes to risk limits when warranted.

The Bank's risk limit setting is based on individual and aggregate level and types of risk that the Bank is willing to assume in order to achieve its business objectives and taking into consideration the Bank's capability to manage risk. The minimum requirements, set forth in the Manual of Regulations for Banks (MORB) are adopted by the Bank, *i.e.*, capital adequacy ratio, minimum liquidity ratio, large exposure, and credit concentration, among others.

Responsible officers should be aware of the Board approved risk tolerance, limits, or thresholds. Transactions or activities should always be within the approved limits/thresholds. Exception to the rule is allowed, provided that any dealings that will breach the established limits/thresholds are authorized, *i.e.*, should have prior Board approval.

RISK MANAGEMENT OFFICER

The Bank has appointed a Risk Management Officer who has sufficient stature, authority and seniority within the Bank. She has the ability, without compromising her independence, to engage in discussions with the Board, President and other senior management on key risk issues and to access such information as she deems necessary to form her judgment.

DUTIES

The Risk Management Officer has been tasked with the following major functions and responsibilities:

1. To monitor exposure of the Bank to the various risk areas and take the necessary action based on the above risk management control policies.
2. To study, discuss, formulate and implement well-defined risk tolerances, loss limits and specific strategies to reduce, if not totally eliminate the Bank's exposure to risks.
3. To report to the Board of Directors on the Bank's overall risk exposure, actions taken to address and reduce such risks, and recommend further action or plans as necessary.
4. To issue inter-office memorandums providing specific risk management rules, tolerances, limits and strategies towards the effective implementation of the system.
5. To review, update and/or amend the risk management system and policies as the need arises, upon approval of the Board of Directors.
6. To assist the Board and senior management in establishing and communicating the Bank's risk management objectives and direction.
7. To assist the Board and senior management with capital and resource allocation decisions.
8. To assist in developing risk mitigation strategies for the Bank's critical risks and for monitoring these risks.
9. To review, analyze, enhance and update risk management policies, risk appetite and risk limits for approval of the Board.
10. To assess and plan for potential risks in the various units of the Bank.
11. To provide options and recommendations to senior management on how to mitigate or transfer risks.
12. To be accountable for the efficient and effective governance of significant risks and related opportunities to the Bank.
13. To liaise with regulators regarding new regulations on risk management.
14. To be responsible for managing adequate credit, market and operational risk by ensuring the Bank's full compliance with all banking laws, regulations and internal policies and procedures.
15. Responsible for overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction.
16. Ensure that the risk governance framework remains appropriate relative to the complexity of risk-taking activities of the Bank.
17. Responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis.

18. Responsible for overseeing the management of E&S risks.
19. Supporting management policies, defining roles and responsibilities, and setting goals for implementation.
20. Assisting management in developing processes and controls to manage risks and issues.
21. Providing guidance and training on risk management processes.
22. Facilitating and monitoring implementation of effective risk management practices by operational management.

RISK MEASUREMENT TOOLS

Risk Areas	Risk Management Report	Responsible Personnel	Frequency of Monitoring
Credit Risk	<ul style="list-style-type: none"> ▪ Monitoring of Large Exposure ▪ Monitoring of Credit Concentration ▪ Monitoring of Single Borrower's Limit ▪ Monitoring of Past Due Ratio ▪ Monitoring of Non-performing Loan Ratio ▪ Monitoring of Loan Loss Provisioning 	<ul style="list-style-type: none"> ▪ Loan Officer/ Comptroller ▪ Loan Officer/ Comptroller ▪ Comptroller ▪ Comptroller ▪ Comptroller ▪ Loan Officer/ Branch Managers/ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Daily/ Monthly ▪ Weekly/ Monthly ▪ Monthly ▪ Weekly ▪ Weekly ▪ Quarterly
Market & Interest Rate Risk	<ul style="list-style-type: none"> ▪ Interest Rate and Maturity Matching ▪ Monitoring of Exposure on Held-to-Maturity Investment 	<ul style="list-style-type: none"> ▪ Branch Accountant/ Comptroller/ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Monthly
Liquidity Risk	<ul style="list-style-type: none"> ▪ Minimum Liquidity Ratio ▪ Liquidity Stress Test 	<ul style="list-style-type: none"> ▪ Comptroller ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Daily ▪ Weekly
Operational Risk	<ul style="list-style-type: none"> ▪ Consolidated Trial Balance ▪ Capital Stress Test ▪ Internal Audit Exceptions Monitor 	<ul style="list-style-type: none"> ▪ Comptroller ▪ Risk Management Officer ▪ Chief Internal Auditor 	<ul style="list-style-type: none"> ▪ Daily ▪ Monthly ▪ Quarterly
Strategic Risk	<ul style="list-style-type: none"> ▪ Variance Analysis 	<ul style="list-style-type: none"> ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Quarterly
Legal Risk	<ul style="list-style-type: none"> ▪ Legal Status Report ▪ Legal Risk Monitor 	<ul style="list-style-type: none"> ▪ Legal Counsel ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Quarterly ▪ Monthly

Risk Areas	Risk Management Report	Responsible Personnel	Frequency of Monitoring
Information Technology Risk	<ul style="list-style-type: none"> ▪ IT Incident Report 	<ul style="list-style-type: none"> ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ When incident occurs
Social Media Risk	<ul style="list-style-type: none"> ▪ List of queries / feedback receipt for the month 	<ul style="list-style-type: none"> ▪ IT Specialist 	<ul style="list-style-type: none"> ▪ Monthly
Reputational Risk	<ul style="list-style-type: none"> ▪ Complaints Report 	<ul style="list-style-type: none"> ▪ General and Branch Managers, as Consumer Assistance Officer/ Chief Compliance Officer, as Head Consumer Assistance Officer 	<ul style="list-style-type: none"> ▪ Monthly
Compliance Risk	<ul style="list-style-type: none"> ▪ Compliance Report ▪ ROE Tracking Report ▪ Compliance Exceptions Tracking Report 	<ul style="list-style-type: none"> ▪ Chief Compliance Officer 	<ul style="list-style-type: none"> ▪ Monthly ▪ Quarterly ▪ Quarterly
Environmental & Social (E&S), Physical and Transition Risk	<ul style="list-style-type: none"> ▪ Environmental & Social (E&S), Physical and Transition Risk Monitoring Report 	<ul style="list-style-type: none"> ▪ Loan Officer/ Branch Managers / Risk Management Officer 	<ul style="list-style-type: none"> ▪ Monthly

RISK AREAS THAT REQUIRE ATTENTION

INTERNAL RISKS:

- Operations Risk
- Liquidity Risk
- Credit Risk
- Compliance Risk

EXTERNAL RISKS:

- Market Risk
- Reputational Risk
- Security Risk

MITIGATING RISKS

- Continuous management evaluation and review.
- Stringent monitoring of high-risk areas.
- Pro-active stance based on industry and market trends.
- Conservative investment strategies.

SOCIAL MEDIA RISK MANAGEMENT

Social media, a low-cost solution capable of disseminating real-time information via the internet, presents vast opportunities for growth, customer engagement and business benefits as usage, customer reach and adoption scale up and become widespread and everywhere. Considering these potential benefits alongside exponential growth in the number of social media users and its massive reach, the Bank have started to leverage on social media platform *i.e.*, having its own Facebook page, to promote the business and improve customer interaction experience to help drive business objectives/strategies.

Similar to any new technology, however, social media introduces a new attack vector which may expose the Bank to compliance, legal, reputational, strategic, and operational risks. Risks in social media include susceptibility to account take-over, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats. As such, the Bank adopts an appropriate risk management system, commensurate with the extent and degree of their social media usage, to effectively identify, measure, manage and monitor risks arising from the use of social media platforms. This forms an integral part of the Bank's operational risk management system.

To ensure that social media risks are well managed, the following were incorporated in the Bank's social media risk management: (i) content management and approval process; (ii) ongoing assessment, management and monitoring of risks associated with social media-related activities; (iii) acceptable use as well as restrictions on the use of social media platforms; (iv) use and monitoring of the Bank's proprietary social media site/page to ensure compliance with applicable laws, regulations and internal policies; (v) monitoring and recording of suspicious transactions and customer activities on the bank's proprietary social media site/page; (vi) adoption of technical and non-technical controls to address risks associated with the use of social media platforms; (vii) due diligence process for selecting, managing and continuous monitoring of third-party service providers that administer the Bank's social media site/page; (viii) social media crisis management plan and escalation procedures; (ix) enterprise-wide employee training and awareness program; (x) records retention of social media data; (xi) communication of the Bank's official social media site/page; and (xii) the specific roles and responsibilities of risk management, consumer protection, audit, and compliance functions.

CREDIT RISK MANAGEMENT

The management continues to be thorough and circumspect, attentive to details and perceptive in ensuring the quality of loan and creditability of a

prospective borrower, while remaining committed to improving productivity and alleviating the economic conditions of the people in the countryside through credit and financial assistance to those who need it most. A sweeping credit investigation is conducted not only on proponent borrowers but even on depositors of the Bank in line with its anti-money laundering program. The management believes that exhaustive efforts should be made at the very onset of a loan transaction— interview, screening, appraisal, credit investigation and loan processing and documentation—to avoid the pitfalls and consequences of a bad loan. The Bank strictly abides by the policy and principles of Customer Due Diligence on customer acceptance, identification, on-going monitoring of high-risk accounts and risk management.

REMEDIAL MANAGEMENT

- Extensive collection and personal follow-ups.
- Principle of Win-Win solution in settlement negotiations.
 - The Bank is quite flexible and highly considerate of the client's capacity to pay and proposed mode of settlement.
- Reminder, collection and demand letters are generally circularized in accordance with the Collection System of the Bank's Amended Manual on Credit: Policies, Procedures and Risk Management Practices.
 - When an account turns past due, the Loan Collection Officer for the Head Office and Branch Manager for their respective branches shall contact and notify the borrower, through text message, social media account, telephone call, email, or personal follow-up, of his outstanding past due account and pursue collection of the same.
 - The Loan Collection Officer, Branch Managers and Loan Officer should conduct series of follow-ups including the sending of collection letters prior to transfer/referral of the accounts to the Bank's Legal Counsel for the sending of demand letters.
 - Borrowers served with demand letters who still fails to settle their loans shall be given a final 10-day notice after which their account shall be transferred to Legal Counsel for the appropriate legal action, *e.g.*, extra-judicial foreclosure.

RISK APPETITE AND STRATEGY

Risk appetite is the level and type of risk the Bank is willing to assume in its exposures and business activities, given its objectives and obligations to its stakeholders. Generally expressed through both quantitative and qualitative means, it considers extreme conditions, events and outcomes and their impact on earnings, capital and liquidity.

Generally, the Board of Directors and the management adopt a conservative risk appetite inclined towards taking minimum risks. In terms of credit risks, majority of the loans are secured by real estate mortgages and bound with the Single Borrower's Limit (SBL). For its market risks, investments are limited only to government securities, *i.e.*, Retail Treasury Bonds (RTB) and Fixed Rate Treasury Notes (FxTN) secured through the Land Bank of the Philippines. Whereas, new placement to depository banks shall be subject to prior Board approval. Lastly, for purchases prior Board approval is required for items amounting to more than ₱1 million. The Bank has zero tolerance for compliance risks and all exceptions are promptly addressed.

The Bank's strategic business objectives consist of:

1. Profit volatility and return on capital
2. Regulatory compliance
3. Customer loyalty
4. Customer service and products

5. People/Values
6. Scale and Efficiency

The Bank's strategic risk objectives are as follows:

1. Financial Risk – acceptable profit volatility and financial strength
2. Reputational Risk – A positive stakeholder perception (market reputation, customer experience and regulatory compliance)
3. Operational Risk – where process, people and technology work efficiently

In response, the Bank's strategic risk measures consist of:

1. Setting limits and monitoring if risk profile is significantly lower, within, approaching or outside appetite limit or outside capacity.
2. Stress testing and business continuity planning.
3. Formulating mitigating measures and procedures whenever risks breach the risk limits set for the purpose.

DISCLOSURE IN THE ANNUAL REPORT AND PUBLISHED BALANCE SHEET (APPENDIX 62, MORB)

TIER 1 & 2 CAPITAL AND THEIR COMPONENTS AND DEDUCTIONS (for the years 2025 and 2024)

Nature of Item	DECEMBER 31, 2025			DECEMBER 31, 2024		
	Amount (PhP)			Amount (PhP)		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Core Capital						
Common Capital Stock Paid-in	100,000,000.00		100,000,000.00	100,000,000.00		100,000,000.00
Additional Paid-in Capital	73,176.90		73,176.90	73,176.90		73,176.90
Retained Earnings Reserve – Contingencies	9,739,542.88		9,739,542.88	8,849,137.25		8,849,137.25
Retained Earnings Reserve – Others	0.00		0.00	0.00		0.00
Retained Earnings Free	70,442,967.89		70,442,967.89	61,337,402.56		61,337,402.56
Undivided Profits	0.00		0.00	0.00		0.00
Net Unrealized Gains/Losses on AFS Financial Assets	0.00		0.00	0.00		0.00
General Loan Loss Provision	0.00	3,451,183.79	3,451,183.79	0.00	3,451,183.79	3,451,183.79
	180,255,687.67	3,451,183.79	183,706,871.46	170,259,716.71	3,451,183.79	173,710,900.50
Deductions						
Net unrealized losses on available for sale equity securities purchased	0.00	0.00	0.00	0.00	0.00	0.00
Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	0.00	0.00	0.00	0.00	0.00	0.00
Total outstanding unsecured credit accommodation, both direct and indirect, to DOSRI, net of allowance for credit losses, and total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets, net of Deferred Tax Liability	54,051,944.38	0.00	54,051,944.38	50,609,095.69	0.00	50,609,095.69
Goodwill, net of allowance for losses	0.00	0.00	0.00	0.00	0.00	0.00
	54,051,944.38	0.00	54,051,944.38	50,609,095.69	0.00	50,609,095.69
Gross Qualifying Capital	126,203,743.29	3,451,183.79	129,654,927.08	119,650,621.02	3,451,183.79	123,101,804.81

TOTAL QUALIFYING CAPITAL INCLUSIVE OF DEDUCTIONS (for the years 2025 and 2024)

Nature of Item	DECEMBER 31, 2025			DECEMBER 31, 2024		
	Amount (PhP)			Amount (PhP)		
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total
Qualifying Capital	180,255,687.67	3,451,183.79	183,706,871.46	170,259,716.71	3,451,183.79	173,710,900.50
Deduction from Tier 1 and Tier 2 Capital						
Deferred Tax Assets, net of Deferred Tax Liability	54,051,944.38	0.00	54,051,944.38	50,609,095.69	0.00	50,609,095.69
TOTAL QUALIFYING CAPITAL	126,203,743.29	3,451,183.79	129,654,927.08	119,650,621.02	3,451,183.79	123,101,804.81
% to Total	97.34	2.66	100.00	97.20	2.80	100.00

CAPITAL REQUIREMENT FOR CREDIT RISK

CREDIT RISK-WEIGHTED ASSETS	TOTAL CREDIT RISK-WEIGHTED ASSETS For 2025
Total Risk-Weighted On-Balance Sheet Assets – (Schedule A)	539,296,569.74
Total Risk-Weighted Off-Balance Sheet Assets	0.00
Total Counterparty Risk-Weighted Assets	0.00
Total Gross Risk-Weighted Assets	539,296,569.74
Deductions: General Loan Loss Provision (in excess of the amount permitted to be included in Upper Tier 2 Capital)	0.00
TOTAL CREDIT RISK-WEIGHTED ASSETS	539,296,569.74

SCHEDULE A

ON-BALANCE SHEET ASSETS	DECEMBER 31, 2025							Total Credit Risk-Weighted Assets
	RISK WEIGHTS							
	0%	20%	50%	75%	100%	130%	150%	
Cash on hand	4,077,797.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Checks and other cash items	0.00	99,061.91	0.00	0.00	0.00	0.00	0.00	19,812.38
Due from Bangko Sentral ng Pilipinas (BSP)	2,663,938.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from other Banks	0.00	0.00	0.00	0.00	153,541,699.44	0.00	0.00	153,541,699.44
Available-for-Sale (AFS) financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Held to Maturity (HTM) financial assets	423,583,533.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unquoted debt securities classified as loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and receivables	0.00	0.00	71,528,135.11	105,032,789.33	125,989,552.43	0.00	12,930,698.23	259,924,259.33
Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse and securities lending and borrowing transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales contract receivable (SCR)	0.00	0.00	0.00	0.00	27,755,655.10	0.00	7,593,283.52	39,145,580.38
Real and other properties acquired	0.00	0.00	0.00	0.00	0.00	0.00	29,527,506.08	44,291,259.12
Total exposures excluding other assets	430,325,269.46	99,061.91	71,528,135.11	105,032,789.33	307,286,906.97	0.00	50,051,487.83	496,922,610.65
Other assets	0.00	0.00	0.00	0.00	96,425,903.47	0.00	0.00	96,425,903.47
Deductions from Other Assets	0.00	0.00	0.00	0.00	54,051,944.38	0.00	0.00	54,051,944.38
Total exposures, including other assets	430,325,269.46	99,061.91	71,528,135.11	105,032,789.33	349,660,866.06	0.00	50,051,487.83	539,296,569.74
TOTAL RISK-WEIGHTED ON BALANCE SHEET ASSETS	0.00	19,812.38	35,764,067.56	78,774,592.00	349,660,866.06	0.00	75,077,231.75	539,296,569.74

SCHEDULE A

DECEMBER 31, 2024								
ON-BALANCE SHEET ASSETS	RISK WEIGHTS							Total Credit Risk-Weighted Assets
	0%	20%	50%	75%	100%	130%	150%	
Cash on hand	4,479,915.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Checks and other cash items	0.00	143,947.88	0.00	0.00	0.00	0.00	0.00	28,789.58
Due from Bangko Sentral ng Pilipinas (BSP)	10,409,950.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from other Banks	0.00	0.00	0.00	0.00	183,695,596.61	0.00	0.00	183,695,596.61
Available-for-Sale (AFS) financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Held to Maturity (HTM) financial assets	457,036,672.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unquoted debt securities classified as loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and receivables	0.00	0.00	72,089,574.11	138,559,105.65	109,445,341.55	0.00	47,292,505.01	320,348,215.36
Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse and securities lending and borrowing transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales contract receivable (SCR)	0.00	0.00	0.00	0.00	37,638,473.93	0.00	15,369,387.91	60,692,555.80
Real and other properties acquired	0.00	0.00	0.00	0.00	0.00	0.00	30,135,013.03	45,202,519.55
Total exposures excluding other assets	471,926,538.02	143,947.88	72,089,574.11	138,559,105.65	330,779,412.09	0.00	92,796,905.95	609,967,676.88
Other assets	0.00	0.00	0.00	0.00	91,373,425.67	0.00	0.00	91,373,425.67
Deductions from Other Assets	0.00	0.00	0.00	0.00	50,609,095.69	0.00	0.00	50,609,095.69
Total exposures, including other assets	471,926,538.02	143,947.88	72,089,574.11	138,559,105.65	371,543,742.07	0.00	92,796,905.95	650,732,006.86
TOTAL RISK-WEIGHTED ON BALANCE SHEET ASSETS	0.00	28,789.58	36,044,787.06	103,919,329.24	371,543,742.07	0.00	139,195,358.93	650,732,006.86

CAPITAL REQUIREMENT FOR MARKET RISK

MARKET RISK-WEIGHTED ASSETS	TOTAL MARKET RISK-WEIGHTED ASSETS For 2025
Using Standardized Approach	
Interest Rate Exposures	0.00
Equity Exposures	0.00
Foreign Exposures	0.00
TOTAL MARKET RISK-WEIGHTED ASSETS	0.00

CAPITAL REQUIREMENT FOR OPERATIONAL RISK

OPERATIONAL RISK-WEIGHTED ASSETS	TOTAL OPERATIONAL RISK-WEIGHTED ASSETS For 2025
Interest Income	65,824,457.11
Interest Expense	25,529,570.16
Net Interest Income	40,294,886.95
Dividend Income	0.00
Fees and Commissions Income	4,305,535.23
Net Gain/Loss on Financial Assets and Liabilities Held for Trading	0.00
Net Gain/Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.00
Net profit/Loss on Foreign Exchange	0.00
Net Gain/Loss on Fair Value Adjustment in Hedge Accounting	0.00
Other Income	2,950,041.85
Total Other Non-Interest Income	7,255,577.08
Gross Income	47,550,464.03
Capital Charge (12%)	5,706,055.68
Adjusted Capital Charge (125%)	7,132,569.60
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS	71,325,696.04

CAPITAL ADEQUACY RATIO (TOTAL AND TIER 1 CAPITAL)

Capital Adequacy

RISK	Amount (PhP)	
	2025	2024
Adjusted Tier 1	126,203,743.29	119,650,621.02
Adjusted Tier 2	3,451,183.79	3,451,183.79
Total Qualifying Capital	129,654,927.08	123,101,804.81
Total Credit risk-weighted assets	539,296,569.74	650,732,006.86
Total Market risk-weighted assets	0.00	0.00
Total Operational risk-weighted assets	71,325,696.04	70,920,591.10
Total risk-weighted assets	610,622,265.78	721,652,597.96
Solo CAR (%)	21.23	17.06
Tier 1 Capital Ratio (%)	20.67	16.58

Regulatory Capital

RISK	Amount (PhP)	
	2025	2024
Credit Risk	539,296,569.74	650,732,006.86
Market Risk	0.00	0.00
Operational Risk	71,325,696.04	70,920,591.10
Total	610,622,265.78	721,652,597.96

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

The Bank in line with its policy shall apply the following principles:

- Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system;
- Know your customer sufficiently at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank;
- Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing.
- Comply fully with the rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and
- Fully cooperate with the Anti-Money Laundering Council (AMLC) and AMLSG-SES for the effective implementation and enforcement of the AMLA as amended and its RIRR.

RISK MANAGEMENT

The Bank developed sound risk management policies and practices to ensure that risks associated with money laundering (ML)/terrorist financing (TF)/proliferation financing (PF) such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of these regulations, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism, proliferation of weapons of mass destruction, and proliferation financing. It includes, among others, the adoption of proportionate mechanisms aligned with the Bank's risk profile to timely detect significant threats or key sources of ML/TF/PF risks events which warrant reporting/notification to the Board of Directors and/or Senior Management and to the Bangko Sentral.

A. BOARD AND SENIOR MANAGEMENT

Senior management shall oversee the day-to-day management of the Bank; ensure effective implementation of AML/CFT policies approved by the Board and alignment of activities with the strategic objectives, risk profile and corporate values set by the Board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances. It shall be the ultimate responsibility of the Board of Directors to provide oversight and ensure that the Bank's compliance management and full cooperation with the AMLC and AMLSG-SES is more than adequate in adherence with these rules, the AMLA, as amended, the TFPSA and their RIRR. It shall ensure that ML/TF risk is effectively managed and that this forms part of the Bank's enterprise risk management system. It is likewise their duty to institute a mechanism that ensures all deficiencies noted during the audit and/or BSP regular examination are immediately corrected and acted upon as well as adequately and effectively monitor measures and status of actions taken to address previous BSP directives and avoid a repeat of the same exceptions and noted AML findings on the implementation of the MTPP.

Regular appraisal of relevant AML matters to the Board which shall include, but not limited to management/resolution of possible suspicious transaction and the status of AML awareness/ updates and training shall be made by the Chief Compliance Officer on a quarterly basis or immediately following an AML issue, concern or situation that requires prompt attention and resolution. Such reporting may also be made on a more frequent basis when necessary.

1. COMPLIANCE OFFICE

Management of the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) shall be a primary task of the Compliance Office. To ensure the independence of the compliance office, it shall have a direct reporting line to the Board of Directors through its Audit Committee on all matters related to AML and terrorist financing compliance and their risk management.

The Chief Compliance Officer, with a rank of senior officer, is currently designated as the Bank's AML Compliance Officer as well. As the lead implementer of the MTPP he acts as liaison between the Bank, the BSP and the AMLC in matters relating to the Bank's AML compliance. To assist him towards a more effective and implementation of the Bank's MTPP, a Compliance Coordinator shall be designated for the purpose.

DUTIES:

- Ensure compliance by all responsible officers and employees with this MTPP, the AMLA as amended and its RIRR and its own MLPP. Conduct periodic compliance checking which covers among others evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in money laundering and terrorist financing prevention, reporting channels, effectivity of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. Report compliance findings to the Board of Directors through its Audit Committee.
- Ensure that all infractions discovered either by internally initiated audits or by regular examination conducted by the BSP and other applicable regulators are immediately corrected.
- Conduct independent compliance testing focused on the completeness of minimum required information and documentary requirements; implementation of customer risk profiling and appropriate due diligence; AML compliance of the Bank's loan administration and ROPA disposal activities, among others. The Bank shall review the appropriateness of compliance testing program in relation to its risk profile and adopt a risk-based approach in determining the scope of testing, *i.e.*, AML risk areas and branches/units to be subjected to compliance testing conducted under specific procedures.
- Inform all responsible officers and employees of all resolutions, circulars and other issuances by the BSP and the AMLC in relation to matters aimed at preventing money laundering and terrorist financing.
- Alert senior management, the Board of Directors or other board level committees if it believes the Bank is failing to sensibly address anti-money laundering and terrorist financing issues.
- Organize the timing and content of AML training of officers and employees including regular refresher trainings.

2. GROUP-WIDE AML/CFT COMPLIANCE

The Bank implements group wide-MTPP applied to all branches as provided in Section 911 of the MORB. The Bank adopts a comprehensive and risk based MTPP geared towards the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or

unintentionally, for money laundering and terrorism financing. The MTPP shall be consistent with the AMLA, as amended, its RIRR and the provisions set out by the MORB and designed according to the Bank's corporate structure and risk profile. It shall be in writing, approved by the Board of Directors and well disseminated to all officers and staff Bank wide who are obligated to implement the same on a consolidated basis.

B. MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM (MTPP)

The Bank adopts a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and prevention of the Bank from being used, intentionally or unintentionally, for ML/TF activities. The MTPP includes policies, controls, and procedures to enable the Bank to manage and mitigate the risks that have been identified in the risk assessment process including taking enhanced measures for those classified as posing higher risks. The MTPP shall also be consistent with the AMLA, as amended by the TFPSA, their respective RIRR and the provisions set forth. It shall be in writing approved by the Board of Directors and well disseminated to all officers and staff who are obligated by law and by the program to implement the same. All of the Bank's branches shall implement the consolidated ML/TF risk management system to ensure the coordination and implementation of policies and procedures on a group wide basis taking into account local business considerations and the requirements of the jurisdiction.

The MTPP shall also be readily available in user-friendly form, whether in hard or soft copy. The Bank shall ensure an audit trail evidencing dissemination process for new and amended policies and procedures is adequately and effectively in place.

The program shall embody the following at a minimum.

1. Detailed procedures of the Bank's compliance and implementation of the following major requirements of the AMLA, as amended, its RIRR and the provisions of the MORB, to wit:
 - a. Customer identification process including acceptance policies and on-going monitoring processes.
 - b. Record keeping and retention.
 - c. Covered transaction reporting.
 - d. Suspicious transaction reporting including the adoption of a system, electronic or manual, of flagging, monitoring and reporting of transactions that qualify as suspicious transactions, regardless of amount, that will raise a "red flag" for purposes of conducting further verification of investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the

threshold. Suspicious transaction reporting covers all transactions, whether completed or attempted. Suspicious transactions shall be promptly filed within the next working day from the occurrence thereof, which for purposes of the rule, shall be the date of establishment of suspicion or determination of the suspicious nature of transaction. The suspicious transactions reporting shall include a reporting chain under which a suspicious transaction will be processed and the designation of the Board level committee who will ultimately decide whether or not the Bank should file a report to the AMLC. If the resources of the Bank do not permit the designation of a committee it may designate the compliance officer to perform this function instead, provided that the Board of Directors is informed of his decision.

- i. Analysis of Suspicious Transaction Reports (STR) with Possible Links to Tax Crimes" and "Real Estate Sector: A Money Laundering/Terrorism Financing/Proliferation Financing (ML/TF/PF) Assessment

- a. Analysis of STRs with Possible Links to Tax Crimes

- Aside from Suspicious Indicator (SI) 3 (the amount involved is not commensurate with the business or financial capacity of the client), other suspicious circumstances, such as:
 - There is no underlying legal or trade obligation
 - Purpose or economic justification" (SI1) and
 - The transaction is similar, analogous, or identical to any of the foregoing" (SI6) dominate the STRs containing tax-related keywords in the narratives.

As to Predicate Crime (PC), corruption-related (i.e., graft and corrupt practices, plunder, bribery and corruption of public officers), and fraud related (i.e., fraudulent practices and other violations under the Securities Regulations Code [SRC], swindling, Electronic Commerce Act violations) emerged as top reasons for filing STRs with possible links to tax crimes.

- The various typologies based on the significance of the amounts involved and/or frequency of reports on the suspicious activity/scheme. These include activities involving unauthorized investment-taking, extensive use of substantial cash, and unsubstantiated transactions based on income source (e.g., salary, business) of various subjects, among others.
- Cash transactions (e.g., cash deposits, withdrawals) dominate the different suspicious transaction types, which is consistent with its inherent risk for its tendency to obscure the audit trail.
- Considering the conditions laid out in the inclusion of tax evasion under the Anti-Money Laundering Act (AMLA), as amended, and its inherent link to other financial crimes, aside from using the PC on tax evasion, the AMLC still

encourages the Bank to file STRs with possible links to tax crimes with SI3 and other associated financial crimes or PCs (e.g., corruption, fraud, intellectual property [IP] violations, among others) as reason/s for filing in combination with tax-related keywords in the narrative. Keywords/phrases which may be incorporated by the CPs in the narrative of their STRs to suggest possible links to tax evasion or tax crimes, include but are not limited to (i) taxable, (ii) taxation, (iii) tax evasion, (iv) tax fraud, (v) possible tax evasion, tax fraud or tax crime, (vi) may relate to tax evasion, tax fraud or tax crime, (vii) transactions may be unreported for tax purposes, and (viii) income tax details deviate from the flow of transactions.

b. Real Estate Sector: A ML/TF/PF Assessment

- The overall ML/TF/PF risk level of the real estate sector is "medium high" as the Anti-Money Laundering/Countering Terrorism and Proliferation Financing (AML/CTPF) compliance of the sector is still developing, in view of its recent inclusion as CPs under the AMLA, as amended. The overall threat of the sector is rated "medium".
- Based on STRs, ML investigations, and cases, the real estate sector is more at risk to illegal drugs, corruption, and fraud, including SRC violations. Criminals potentially facilitate movement and hide illegal proceeds through the purchase of or investment in real properties. Assets are also used as clandestine hideouts for illegal operations.
- In the case of terrorism and TF, properties were allegedly used to train recruits to perform terrorism-related activities based on TF cases handled by the AMLC. TF-related STRs, albeit limited, may suggest financing of terrorism activities through transactions posing as real estate investments.
- Cash transactions expose the sector to ML threat as typologies suggest that the use of cash disguises the true nature of funds.
- There are processes and regulations in place regarding the identification of beneficial owners within the real estate sector. The presence of gatekeepers acting on behalf of the actual owners.
- Based on the published report of the Financial Action Task Force, use of complex loans or credit finance, loan back schemes, back-to-back loan schemes, use of non-financial professionals and corporate vehicles, manipulation of appraisal of valuation of the property, and use of monetary instruments, are among the common methods identified on the use and misuse of the real estate sector to ML/TF.

Duties of the Bank:

1. To ensure proper reporting of STRs with possible links to tax crimes under PC35 in accordance with the 2021 AMLC Registration and Reporting Guidelines (ARRG);
 2. To include the suggested tax-related keywords/phrases in the narrative of STRs for transactions with possible links to tax crimes with SI3 and other associated financial crimes or PCs (e.g., corruption, fraud, IP violations, among others) as reason/s for filing, considering the conditions laid out in the inclusion of tax evasion under the Anti-Money Laundering Act of 2001 (AMLA), as amended; and
 3. Conduct commensurate measures and consider the results of the above reports in their institutional risk assessment as well as risk profiling of the real estate sector, to improve their overall AML/CTPF framework.
- ii. Guidelines and Procedures on the conduct of transaction monitoring and investigation that would flag, monitor and report transactions that qualify as suspicious transactions, regardless of amount or that will raise "red flag"

The list of situations given below is intended to highlight basic ways in which money may be laundered or used for TF purposes. While each individual situation may not be sufficient to suggest that ML/TF is taking place, a combination of such situations may be indicative of a suspicious transaction. The list is intended solely as an aid and must not be applied as a routine instrument in place.

The list is not exhaustive and may be updated due to changing circumstances and new methods of laundering money or financing terrorism.

A customer's declaration regarding the background of such transactions should be evaluated for plausibility. Not every explanation offered by the customer can be accepted without scrutiny.

It is reasonable to doubt any customer who is reluctant to provide normal information and documents required habitually by the Bank in the course of the business relations. Banks should pay attention to customers who provide minimal, false or

misleading information, or when applying to open an account, provide information that is difficult or expensive for the Bank to verify. Enhanced Due Diligence (EDD) may apply whenever the Bank's customer acceptance policy, or where the risks of ML/TF are higher, in addition to profiling of customers and monitoring their transactions.

It is important to be aware of, and act properly upon, red flag indicators that a transaction may be suspicious. One of the following circumstances may provide a basis for making further inquiries of the clients. Several red flag indicators together, without reasonable explanation, are more likely to provide grounds for suspicion.

The new accounts clerk may check and verify in every client the following criteria as follows:

If the Client:

- Is secretive or evasive about who they are, the reason for transaction, or the source of funds.
- Avoids personal contact without good reason
- Refuses to provide information or documentation or the documentation provided is suspicious
- Has criminal associations
- Has unusual level of knowledge about money laundering processes.

If the Source of funds or source of wealth is unusual, such as:

- Large cash payments
- Unexplained payments from a third party
- Loans from non-institutional lenders
- Use of multiple accounts

If the transaction has unusual features, such as:

- Size, nature, frequency or manner of transaction
- Early repayment of mortgages/loans
- The transaction is unusual for the client's profile
- Unexplained urgency, requests for short cuts or changes to the transaction particularly on last minute
- Use of Power of Attorney in unusual circumstances

If the instructions are unusual for your business such as:

- Willingness of client to pay high fees
- The client appears unconcerned or lacks knowledge about the transaction

If there are geographical concerns such as:

- Unexplained connections with the movement of monies between other jurisdictions

• Predicate Offense / Unlawful Activity

• Corruption Related	
✚ Client has significant holdings in bank time deposits and other high-yielding products such as shares and investments portfolios in another country;	✚ Account shows high-volume account activity involving significant cash transactions;
✚ Client conducts transactions through a professional facilitator for no apparent commercial or other reason;	✚ Client is associated with, or undertakes transactions involving, large unexplained amounts of money;
✚ Client is unable or reluctant to provide details or credible explanations for establishing a business relationship, opening an account or conducting transactions;	✚ Client uses legal entity structures to undertake transactions for no apparent commercial or other reason;
✚ Client uses multiple bank accounts for no apparent commercial or other reason;	✚ Personal and business transactions are difficult to distinguish and are mingled either in personal or payroll accounts.
• Cross Border investment fraud involving boiler room operations, recovery room, and advance fee fraud	
✚ Account holders or clients are individuals or entities, which have just been registered with SEC or DTI. There may be a common signatory for the accounts opened. Normally, the signatory is not an incorporator. In some instances, the individuals opening the account present themselves as owners of a domestic company, branch head or consultant of a foreign entity;	✚ Transactions in the domestic account are mostly inward remittances which are immediately withdrawn in cash or by check issuances to different individuals. Said transactions may also be "wire transferred" to another account in the Philippines or overseas, leaving the account with minimal balance;
✚ The remitters are located largely in the United States of America, United Kingdom, Canada, Germany, Singapore, Hong Kong and Indonesia. a) Remitters may be individuals, who are most likely victims of cross border investment fraud. This may be considered as the placement stage of money laundering. b) Beneficiary accounts may be companies/entities, which may be considered perpetrators or their cohorts. Funds remitted could have been received from victims of investment fraud in the foreign jurisdiction and subsequently remitted to the Philippines to layer the funds.	✚ An individual or consultancy firm sets-up two or more companies, mainly engaged in trading, retail and call center business.

✚ The accounts are usually active for a period of one (1) year. Entities operate within a limited period to avoid detection. Thereafter, a new company with a similar nature of business will emerge;	✚ Multiple companies are linked by common addresses and signatories. These companies maintain accounts at different banks to conceal their business activities;
✚ Recipients of remittances are individuals or companies having common counterparties or remitters.	
<ul style="list-style-type: none"> • Drug related transactions 	
✚ Account Holders that send and receive funds to person/s or entities subject of Freeze Order;	✚ Forex, Remittance with substantial transactions but are not registered with AMLC;
✚ Recipient of funds located in an area but received funds from different places in the Philippines where the nature of the business makes the business relationship unlikely; <i>i.e.</i> , X Trading in Binondo engaged in electronics business received funds from towns in Mindanao and Visayas where the remitter has no declared business;	✚ Persons using other names/alias/A.K.A.;
✚ Persons using different IDs with inconsistent information such as: names, birth date, address;	✚ The recipient of large amount of funds are students/minors;
✚ Transactions of arrested suspects/ accused while in prison or after their arrest.	✚ Sudden closure of bank accounts after being a subject of an adverse media expose.
<ul style="list-style-type: none"> • Cash Deposits/Ponzi Scheme/ Pyramiding 	
✚ Cash deposits coming from various branches located not within or outside the geographical area of the depository branch where depositor lives or works;	✚ Accumulating large cash deposits during a week or a month and withdrawing said aggregated deposits in a day leaving minimal balance, as if the savings account is merely used as a conduit and for long-term savings (siphoning).
<ul style="list-style-type: none"> • Usage of transit accounts (mule accounts) with large, rapid movement of funds 	
✚ Funds were actively transferred in and out of the account on the same day or within a short period of time with no absolute reason;	✚ Immediate withdrawals upon receiving large amount of funds.
<ul style="list-style-type: none"> • Unverified banking accounts/ transactions 	
✚ Return of customer "Thank You" letter;	✚ Abnormal deposits and withdrawals which are deemed inconsistent with the profile of the customer;
✚ Large number of transactions conducted near border towns, ports and high-risk areas where smuggling activities are rampant;	✚ Large amounts of funds transferred into unverified third parties accounts located overseas on a frequent basis.

<ul style="list-style-type: none"> • Terrorist financing 	
✚ Entities; <ul style="list-style-type: none"> o Details match those on sanctions lists o Small broker/intermediary; activity does not match business profile ✚ Commercial entity acts as money-remittance business	✚ Goods: Dual-use or proliferation-sensitive;
✚ Cash: Used for industrial transactions;	✚ Consignee: Freight-forwarding company or bank;
✚ Documents: False or altered (shipping, license, end-user certificate); innocuous descriptions of goods or materials;	✚ Suspicious Indicators/ Circumstances for Terrorist Financing under Rule 3.a.15 of the IRRs of the TF Suppression Act.
✚ Remittance in structured amounts to high-risk location for terrorism.	

- Examples of Suspicious Indicators

Common Indicators:

The following are examples of common indicators that may point to a suspicious transaction, whether completed or attempted. This list of examples is provided for guidance only and is neither mandatory nor exhaustive.

<ul style="list-style-type: none"> A. General Areas of Suspicion 	
✚ Customer admits to or makes statements about involvement in criminal activities.	You are aware that a customer is the subject of a criminal investigation.
✚ Customer does not want correspondence sent to residential address.	✚ Customer appears to have accounts with several financial institutions in one area for no apparent reason.
✚ Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.	✚ Customer repeatedly uses an address but frequently changes the names involved.
✚ Customer is accompanied and watched.	✚ Significant and/or frequent transactions in contrast to known or expected business activity/ies.
✚ Significant and/or frequent transactions in contrast to known employment status.	✚ Ambiguous or inconsistent explanations as to the source and/or purpose of funds.
✚ Where relevant, money presented in unusual condition, for example, damp, odorous, or coated with substance.	✚ Where relevant, nervous or uncooperative behavior exhibited by employees and/or customers.
✚ Customer shows uncommon curiosity about internal systems, controls, and policies.	✚ Customer has only vague knowledge of the amount of a deposit.
✚ Customer presents confusing details about the transaction or knows few details about its purpose.	✚ Customer appears to informally record large-volume transactions, using unconventional bookkeeping methods or "off-the-record" books.

✦ Customer over-justifies or -explains the transaction.	✦ Customer is secretive and reluctant to meet in person.
✦ Customer is nervous, not in keeping with the transaction	✦ Customer is involved in transactions that are suspicious but seems blind to being involved in money-laundering activities.
✦ Customer's home or business telephone number has been disconnected, or there is no such number when an attempt is made to contact the customer shortly after opening the account.	✦ Normal attempts to verify the background of a new or prospective customer are difficult.
✦ Customer appears to be acting on behalf of a third party but does not inform the credit institution staff.	✦ Customer is involved in activity/ies out of keeping for that individual or business.
✦ Customer insists that a transaction be done quickly.	✦ Inconsistencies appear in the customer's presentation of the transaction.
✦ Transaction does not appear to make sense or is out of keeping with usual or expected activity for the customer.	✦ Customer appears to have recently established a series of new relationships with different financial entities.
✦ Customer attempts to develop close rapport with the staff.	✦ Customer uses aliases and a variety of similar but different addresses.
✦ Customer spells his or her name differently from one transaction to another.	✦ Customer uses a post office box or general delivery address, or other type of mail drop address, instead of a street address when this is not the norm for the area concerned.
✦ Customer provides false information or information that the staff of the bank or the financial institution believe is unreliable.	✦ Customer offers money, gratuities, or unusual favors to the credit institution staff for the provision of services that may appear unusual or suspicious.
✦ Customer pays for services or products via financial instruments, such as money orders or traveler's checks, without relevant entries on the instrument or with unusual symbols, stamps, or notes.	✦ The bank or the financial institution is aware that a customer is the subject of a money laundering or terrorist financing investigation.
✦ The bank or the financial institution is aware, or becomes aware, from a reliable source (that can include media or other open sources) that a customer is suspected of being involved in illegal activity/ies.	✦ A new or prospective customer is known as having a questionable legal reputation or criminal background.
✦ Transaction involves a suspected shell entity (i.e., a corporation that has no assets, operations, or other reasons to exist).	
• Knowledge of reporting or record-keeping requirements	
✦ Customer attempts to convince employee not to complete any documentation required for the transaction.	✦ Customer makes inquiries that would indicate a desire to avoid reporting.

✦ Customer has unusual knowledge of the law in relation to suspicious transaction reporting.	✦ Customer seems very conversant with money laundering or terrorist activity financing issues.
✦ Customer is quick to volunteer that the funds are "clean" or are "not being laundered."	✦ Customer appears to be structuring amounts to avoid record keeping, customer identification, or reporting thresholds.
✦ Customer appears to be collaborating with others to avoid record keeping, customer identification, or reporting thresholds.	✦ Customer performs two or more cash transactions of less than the thresholds specified seemingly to avoid the reporting requirement.
• Identity Documents	
✦ Customer provides doubtful or vague information.	✦ Customer produces seemingly false identification or identification that appears to be counterfeited, altered, or inaccurate.
✦ Customer refuses to produce personal identification documents.	✦ Customer only presents copies rather than originals.
✦ Customer uses foreign, unverifiable identity documents.	✦ Customer wants to establish identity using something other than his or her personal identification documents.
✦ Customer's supporting documentation lacks important details, such as a telephone number.	✦ Customer inordinately delays presenting corporate documents.
✦ All identification presented pertains to foreign countries or cannot be checked for some reason.	✦ All identification documents presented appear new or have recent issue dates.
✦ Customer presents different identification documents at different times.	✦ Customer alters the transaction after being asked for identity documents.
✦ Customer presents different identification documents each time a transaction is conducted.	
• Cash Transactions	
✦ Customer starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the customer in the past.	✦ Customer frequently exchanges small bills for large ones.
✦ Customer uses notes in denominations that are unusual for the customer, when the normal practice in that business is different.	✦ Customer presents notes that are packed or wrapped in a way that is uncommon for the customer.
✦ Customer deposits musty or extremely dirty bills.	✦ Customer consistently makes cash transactions that are significantly below the reporting threshold amount in an apparent attempt to avoid triggering the identification and reporting requirements.

✚ Customer presents uncounted funds for a transaction. Upon counting, the customer reduces the transaction to an amount just below that which could trigger reporting requirements.	✚ Customer conducts a transaction for an amount that is unusual compared with amounts of past transactions.
✚ Customer frequently purchases traveler's checks, foreign currency drafts, or other negotiable instruments with cash when this appears to be outside of normal activity for the customer.	✚ Customer asks a clerk at the credit institution to hold or transmit large sums of money or other assets when this type of activity is unusual for the customer.
✚ Shared address for individuals involved in cash transactions, particularly when the address is also for a business location, or does not seem to correspond to the stated occupation (i.e., student, unemployed, self-employed, etc.).	✚ Stated occupation of the customer is not in keeping with the level or type of activity/ies (e.g., a student or an unemployed individual makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
✚ Cash is transported by a cash courier.	✚ Large transactions using a variety of denominations.
<ul style="list-style-type: none"> • Economic Purpose 	
✚ Transaction seems to be inconsistent with the customer's apparent financial standing or the usual pattern of activities.	✚ Transaction appears to be out of the normal course for industry practice or does not appear to be economically viable for the customer.
✚ Transaction is unnecessarily complex for its stated purpose.	✚ Activity is inconsistent with what would be expected from declared business.
✚ A business customer refuses to provide information to qualify for a business discount.	✚ No business explanation for size of transactions or cash volumes.
✚ Transactions or financial connections between businesses that are not usually connected (e.g., a food importer dealing with an automobile parts exporter).	✚ Transaction involves nonprofit or charitable organization/s for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity/ies of the organization and the other parties in the transaction.
<ul style="list-style-type: none"> • Transactions Involving Accounts 	
✚ Opening accounts when the customer's address is outside the local service area.	✚ Opening accounts in other people's names.
✚ Opening accounts with names very close to other established business entities.	✚ Attempting to open or operate accounts under a false name.
✚ Account with a large number of small cash deposits and a small number of large cash withdrawals.	✚ Funds are being deposited into several accounts, consolidated into one, and transferred outside the country.
✚ Customer frequently uses many deposit locations outside of the home branch location.	✚ Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers.

✚ Activity far exceeds activity projected at the time of opening of the account.	✚ Establishment of multiple accounts, some of which appear to remain dormant for extended periods.
✚ Account that was reactivated from inactive or dormant status suddenly sees significant activity.	✚ Reactivated dormant account containing a minimal amount suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
✚ Unexplained transfers between the customer's products and accounts.	✚ Large transfers from one account to other accounts that appear to be pooling money from different sources.
✚ Multiple deposits are made to a customer's account by third parties.	✚ Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.
✚ Frequent deposits of bearer instruments (e.g., checks, money orders, or bearer bonds) in amounts just below the threshold amount.	✚ Unusually large cash deposits by a customer with personal or business links to an area associated with drug trafficking.
✚ Regular return of checks for insufficient funds.	✚ Correspondent accounts being used as "pass-through" points from foreign jurisdictions with subsequent outgoing funds to another foreign jurisdiction.
✚ Multiple personal and business accounts are used to collect and then funnel funds to a small number of foreign beneficiaries, particularly when they are in locations of concern, such as countries known or suspected to facilitate money-laundering activities.	
<ul style="list-style-type: none"> • Transactions involving areas outside the country 	
✚ Customer and other parties to the transaction have no apparent ties to the country.	✚ Transaction crosses many international lines.
✚ Use of a credit card issued by a foreign bank that does not operate domestically by a customer who does not live and work in the country of issue.	✚ Cash volumes and international remittances in excess of average income for migrant worker customers.
✚ Transactions involving high volume international transfers to third-party accounts in countries that are not usual remittance corridors.	✚ Transaction involves a country known for highly secretive banking and corporate law/s.
✚ Foreign currency exchanges that are associated with subsequent wire transfers to locations of concern, such as countries known or suspected to facilitate money-laundering activities.	✚ Deposits followed within a short time by wire transfer of funds to or through locations of concern, such as countries known or suspected to facilitate money-laundering activities.

✦ Transaction involves a country where illicit drug production or exporting may be prevalent, or where there is no effective anti-money laundering system.	✦ Transaction involves a country known or suspected to facilitate money-laundering activities.
<ul style="list-style-type: none"> • Transactions related to offshore business activity Any bank or financial institution that conducts transactions internationally should consider the following indicators: 	
✦ Accumulation of large balances, inconsistent with the known turnover of the customer's business, and subsequent transfers to overseas account(s).	✦ Frequent requests for traveler's checks, foreign currency drafts, or other negotiable instruments.
✦ Loans secured by obligations from offshore banks.	✦ Loans to or from offshore companies.
✦ Offers of multimillion-dollar deposits from a confidential source to be sent from an offshore bank or somehow guaranteed by an offshore bank.	✦ Transactions involving an offshore "shell" bank whose name may be very similar to the name of a major legitimate institution.
✦ Unexplained electronic funds transfer by customer on an in-and-out basis.	✦ Use of letter of credit and other methods of trade financing to move money between countries when such trade is inconsistent with the customer's business.
✦ Use of a credit card issued by an offshore bank.	
<ul style="list-style-type: none"> • Personal Transactions 	
✦ Customer appears to have accounts with several financial institutions in one geographic area.	✦ Customer has no employment history but makes frequent, large transactions or maintains a large account balance.
✦ The flow of income through the account does not match what was expected based on the stated occupation of the account holder or the intended use of the account.	✦ Customer makes one or more cash deposits to the general account of a foreign correspondent bank (i.e., pass-through account).
✦ Customer makes frequent or large payments through online payment services.	✦ Customer runs large positive credit card balances.
✦ Customer uses cash advances from a credit card account to purchase money orders or drafts or to wire funds to foreign destinations.	✦ Customer takes cash advance to deposit into savings or checking account.
✦ Large cash payments for outstanding credit card balances.	✦ Customer makes credit card overpayment and then requests a cash advance. Customer visits the safety deposit box area immediately before making cash deposits.
✦ Customer wishes to have credit and debit cards sent to international or to domestic destinations other than his or her address.	✦ Customer has numerous accounts and deposits cash into each of them with the total credits being a large amount.

✦ Customer deposits large endorsed checks in the name of a third party.	✦ Customer frequently makes deposits to the account of another individual who is not an employee or family member.
✦ Customer frequently exchanges currencies.	✦ Customer frequently makes automatic banking machine deposits just below the reporting threshold.
✦ Customer's access of the safety deposit facilities increases substantially or is unusual in light of their past usage.	✦ Many unrelated individuals make payments to one account without any rational explanation.
✦ Third parties make cash payments or deposit checks to a customer's credit card.	✦ Customer gives power of attorney to a nonrelative to conduct large transactions.
✦ Customer has frequent deposits identified as proceeds of asset sales, but the assets cannot be substantiated.	✦ Customer acquires significant assets and encumbers them with security interests that do not make economic sense.
✦ Customer requests movement of funds that are uneconomical.	✦ High volume of wire transfers are made or received through the account.
<ul style="list-style-type: none"> • Corporate and Business Transactions 	
✦ Some businesses may be susceptible to the mixing of illicit funds with legitimate income. This is a very common method of money laundering. These businesses include those that conduct a significant part of their business in cash, such as restaurants, bars, parking lots, convenience stores and vending machine companies. On opening accounts with the various businesses in its area, a financial institution would likely be aware of those that are mainly cash based.	✦ Unusual or unexplained increases in cash deposits made by those entities may be indicative of suspicious activity/ies.
✦ Accounts are used to receive or disburse large sums but show virtually no normal business-related activities such as the payment of payrolls, invoices, etc.	✦ Accounts have a large volume of deposits in bank drafts, cashier's checks, money orders, or electronic funds transfers, which is inconsistent with the customer's business.
✦ Accounts have deposits in combinations of monetary instruments that are atypical of legitimate business activity/ies (e.g., deposits that include a mix of business, payroll, and social security checks).	✦ Accounts have deposits in combinations of cash and monetary instruments not normally associated with business activity/ies.
✦ Business does not want to provide complete information regarding its activities.	✦ Financial statements of the business differ noticeably from those of similar businesses.

✦ Representatives of the business avoid contact with the branch as much as possible, even when it would be more convenient for them.	✦ Deposits to or withdrawals from a corporate account are primarily in cash rather than in the form of debit and credit normally associated with commercial operations.
✦ Customer maintains a number of trustee or customer accounts that are not consistent with that type of business or not in keeping with normal industry practices.	✦ Customer operates a retail business providing check-cashing services but does not make large withdrawals of cash against checks deposited.
✦ Customer pays in cash or deposits cash to cover bank drafts, money transfers, or other negotiable and marketable money instruments.	✦ Customer purchases cashier's checks and money orders with large amounts of cash.
✦ Customer deposits large amounts of currency wrapped in currency straps.	✦ Customer makes a large volume of seemingly unrelated deposits to several accounts and frequently transfers a major portion of the balances to a single account at the same bank or elsewhere.
✦ Customer makes a large volume of cash deposits from a business that is not normally cash-intensive.	✦ Customer makes large cash withdrawals from a business account not normally associated with cash transactions.
✦ Customer consistently makes immediate large withdrawals from an account that has just received a large and unexpected credit from abroad.	✦ Customer makes a single and substantial cash deposit composed of many large bills.
✦ Small, single location business makes deposits on the same day at different branches across a broad geographic area that does not appear practical for the business.	✦ There is a substantial increase in deposits of cash or negotiable instruments by a company offering professional advisory services, especially if the deposits are promptly transferred.
✦ There is a sudden change in cash transactions or patterns.	✦ Customer wishes to have credit and debit cards sent to international or domestic destinations other than his or her place of business.
✦ There is a marked increase in transaction volume in an account with significant changes in an account balance that is inconsistent with or not in keeping with normal business practices of the customer's account.	✦ Asset acquisition is accompanied by security arrangements that are not consistent with normal practice.
✦ Unexplained transactions are repeated between personal and commercial accounts.	✦ Activity is inconsistent with stated business.
✦ Account has close connections with other business accounts without any apparent reason for the connection.	✦ Activity suggests that transactions may offend securities regulations or the business prospectus is not in tune with the requirements.

<ul style="list-style-type: none"> • Transactions for nonprofit organizations (including registered charities) 	
✦ Inconsistencies between apparent modest sources of funds of the organization (e.g., communities with modest standard of living) and large amounts of funds raised.	✦ Inconsistencies between the pattern or size of financial transactions and the stated purpose and activity of the organization.
✦ Sudden increase in the frequency and amounts of financial transactions for the organization, or the inverse, that is, the organization seems to hold funds in its account for a very long period.	✦ Large and unexplained cash transactions by the organization.
✦ Absence of contributions from donors located in the country.	✦ Organization's directors are outside the country, particularly if large outgoing transactions are made to the country of origin of the directors and especially if that country is a high-risk jurisdiction.
✦ Large number of nonprofit organizations with unexplained links.	✦ Nonprofit organization appears to have little or no staff, no suitable offices, or no telephone number, which is incompatible with their stated purpose and financial flows.
✦ Nonprofit organization has operations in, or conducts transactions to or from, high-risk jurisdictions.	
<ul style="list-style-type: none"> • Wire and Fund Transfer Activities 	
✦ Customer is reluctant to give an explanation for the remittance.	✦ Customer orders wire transfers in small amounts in an apparent effort to avoid triggering identification or reporting requirements.
✦ Customer receives large sums of money from an overseas location and the transfers include regulations for payment in cash.	✦ Customer makes frequent or large funds transfers for individuals or entities that have no account relationship with the institution.
✦ Customer receives frequent funds transfers from individuals or entities who have no account relationship with the institution.	✦ Customer receives funds transfers and immediately purchases monetary instruments prepared for payment to a third party, which is inconsistent with or is outside the normal course of business of the customer.
✦ Customer requests payment in cash immediately upon receipt of a large funds transfer.	✦ Customer instructs the bank or the financial institution to transfer funds abroad and to expect an equal incoming transfer.
✦ Immediately after transferred funds have been cleared, the customer moves the funds to another account or to another individual or entity.	✦ Customer shows unusual interest in funds transfer systems and questions the limit of what amount can be transferred.
✦ Customer transfers funds to another country without changing the currency.	✦ Large incoming wire transfers from foreign jurisdictions are removed immediately by company principals.

✦ Customer sends frequent wire transfers to foreign countries but does not seem to have connection to such countries.	✦ Wire transfers are received from entities having no apparent business connection with the customer.
✦ Size of funds transfers is inconsistent with normal business transactions for that customer.	✦ Rising volume of remittances exceeds what was expected from the customer when the relationship was established.
✦ Several customers request transfers either on the same day or over a period of 2-3 days to the same recipient.	✦ Different customers request transfers that are all paid for by the same customer.
✦ Several customers requesting transfers share common identifiers, such as family name, address, or telephone number.	✦ Several different customers send transfers that are similar in amounts, sender names, test questions, free message text, and destination country.
✦ Customer sends or receives multiple transfers to or from the same individual.	✦ Stated occupation of the customer or the customer's financial standing is not in keeping with the level or type of activity/ies (e.g., a student or an unemployed individual who receives or sends large numbers of wire transfers).
✦ Migrant remittances made outside the usual remittance corridors.	✦ Personal funds sent at a time not associated with salary payments.
✦ Country of destination for a wire transfer is not consistent with the nationality of the individual customer.	✦ Customer requests transfers to a large number of recipients outside the country who do not appear to be family members.
✦ Customer does not appear to know the recipient to whom he or she is sending the transfer.	✦ Customer does not appear to know the sender of the transfer from whom the transfer was received.
✦ Beneficiaries of wire transfers involve a large group of nationals of countries associated with terrorist activity.	✦ Customer makes funds transfers to other businesses abroad that are not in line with the customer's business.
✦ Customer conducts transactions involving countries known as narcotic source countries or as transshipment points for narcotics or that is known for highly secretive banking and corporate law practices.	
• Suspicious indicators related to lending	
✦ Customer suddenly repays a problem loan unexpectedly.	✦ Customer makes a large, unexpected loan payment with unknown source of funds, or a source of funds that does not match the credit institution's knowledge about the customer.
✦ Customer repays a long-term loan, such as a mortgage, within a relatively short time period.	✦ Source of down payment is inconsistent with borrower's background and income.

✦ Down payment appears to be from an unrelated third party.	✦ Down payment uses a series of money orders or bank drafts from different financial institutions.
✦ Customer shows income from "foreign sources" on loan application without providing further details.	✦ Customer's employment documentation lacks important details that would make it difficult for the credit institution to contact or locate the employer.
✦ Customer's documentation to ascertain identification, support income, or verify employment is provided by an intermediary who has no apparent reason to be involved.	✦ Customer has loans with offshore institutions or companies that are outside the ordinary course of business of the customer.
✦ Customer offers the credit institution large dollar deposits or some other form of incentive in return for favorable treatment of loan request.	✦ Customer asks to borrow against assets held by another financial institution or a third party, when the origin of the assets is not known.
✦ Loan transaction does not make economic sense (e.g., the customer has significant assets, and there does not appear to be a sound business reason for the transaction).	Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction.
✦ Customer applies for loans on the strength of a financial statement reflecting major investments in or income from businesses incorporated in countries known for highly secretive banking and corporate law(s) and the application is outside the ordinary course of business of the customer.	✦ Down payment or other loan payments are made by a party who is not a relative of the customer.
✦ Reluctance to use favorable facilities, for example, avoiding high-interest rate facilities for large balances.	✦ Substantial increases in deposits of cash or negotiable instruments by a professional firm or company, using customer accounts, in-house company, or trust accounts, especially if the deposits are promptly transferred between other customer companies and trust accounts.
✦ Frequent and/or unscheduled cash deposits to loan accounts.	✦ Frequent deposits of winning gambling checks followed by immediate withdrawal or transfer of funds.
✦ Children's accounts being used for the benefit of parents and/or guardians.	
• Life insurance companies, agents and brokers	
✦ Client wants to use cash for a large transaction.	✦ Client proposes to purchase an insurance product using a check drawn on an account other than his or her personal account.

✚ Client requests an insurance product that has no discernible purpose and is reluctant to divulge the reason for the investment.	✚ Client who has other small policies or transactions based on a regular payment structure makes a sudden request to purchase a substantial policy with a lump-sum payment.
✚ Client conducts a transaction that results in a conspicuous increase in investment contributions.	✚ Scale of investment in insurance products is inconsistent with the client's economic profile.
✚ Unanticipated and inconsistent modification of client's contractual conditions, including significant or regular premium top-ups.	✚ Unforeseen deposit of funds or abrupt withdrawal of funds.
✚ Involvement of one or more third parties in paying the premiums or in any other matters involving the policy.	✚ Overpayment of a policy premium with a subsequent request to refund the surplus to a third party.
✚ Funds used to pay policy premiums or deposits originate from different sources.	✚ Use of life insurance product in a way that resembles the use of a bank account, such as making additional premium payments and frequent partial redemptions.
✚ Client cancels investment or insurance soon after purchase.	✚ Early redemption takes place in the absence of a reasonable explanation or in a significantly uneconomic manner.
✚ Client shows more interest in the cancellation or surrender of an insurance contract than in the long-term results of investments or the costs associated with termination of the contract.	✚ Client makes payments with small denomination notes, uncommonly wrapped, with postal money orders or with similar means of payment.
✚ Duration of the life insurance contract is less than 3 years.	✚ First (or single) premium is paid from a bank account outside the country.
✚ Client accepts very unfavorable conditions unrelated to his or her health or age.	✚ Transaction involves use and payment of a performance bond resulting in a cross-border payment.
✚ Repeated and unexplained changes in beneficiary.	✚ Relationship between the policy holder and the beneficiary is not clearly established.
• Securities Firm	
✚ Accounts that have been inactive suddenly receive large deposits that are inconsistent with the normal investment practice of the client or their financial ability.	✚ Any dealing with a third party when the identity of the beneficiary or counterparty is undisclosed.
✚ Client attempts to purchase investments with cash.	✚ Client wishes to purchase a number of investments with money orders, traveler's checks, cashier's checks, bank drafts, or other bank instruments, where the transaction is inconsistent with the normal investment practice of the client or their financial ability.

✚ Client uses securities or futures brokerage firm as a place to hold funds that are not being used in trading of securities or futures for an extended period of time and such activity is inconsistent with the normal investment practice of the client or their financial ability.	✚ Client wishes monies received through the sale of shares to be deposited into a bank account rather than a trading or brokerage account, which is inconsistent with the normal practice of the client.
✚ Client frequently makes large investments in stocks, bonds, investment trusts, or other securities in cash or by check within a short time period, inconsistent with the normal practice of the client.	✚ Client makes large or unusual settlements of securities in cash.
✚ The entry of matching buying and selling of particular securities or futures contracts (called match trading), creating the illusion of trading.	✚ Transfers of funds or securities between accounts not known to be related to the client.
✚ Several clients open accounts within a short period of time to trade the same stock.	✚ Unrelated clients redirect funds toward the same account.
✚ Trades conducted by entities that you know have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity/ies.	✚ Client is willing to deposit or invest at rates that are not advantageous or competitive.
✚ Client attempts to purchase investments with instruments in the name of a third party.	✚ Third-party purchases of shares in other names (<i>i.e.</i> , nominee accounts).
✚ Transactions in which clients make settlements with checks drawn by third parties or remittances from third parties.	✚ Proposed transactions are to be funded by international wire payments, particularly if from countries where there is no effective anti-money laundering system.

iii. Mechanism that could objectively measure normal client activities to detect unusual or suspicious patterns of account activity.

On monitoring Bank transactions and client's activities to prevent and combat money laundering and terrorism financing the Bank shall provide guidance and create an effective internal mechanism to monitor the transactions and business relations and to determine the scope and nature of the business relation, interpret the ordinary nature of clients' activities and monitor complex transactions to prevent and combat money laundering and terrorism financing.

- ✚ Monitoring of Individual Transactions and Business Relations
 - Banks shall analyze the transactions, patterns and activities to determine the ordinary or suspicious nature thereof.
 - The Purpose of transaction monitoring is to alert the Bank's

frontline on activities that are unusual or potentially suspicious and required further EDD. The transaction monitoring supports the Bank's efforts to provide services and products to individuals and legal entities in an adequate manner that will protect the Bank from its use in ML/TF activities.

- The Bank develops and implements different levels of monitoring, depending on the risk factors involved.
- The risk profiling of the Bank depends on the proposed activities, products or services.
- The main components in an efficient transaction monitoring mechanism are:
 - ❖ Client screening
 - ❖ On-going analysis of transactions to identify unusual activities and transactions
- Banks shall apply the risk-based approach in all clients when monitoring client's transactions.
- Guidelines on Large Cash Transactions:
 - ❖ Cash payment still remains the common means of settling transactions. While most cash transactions are carried out as legitimate dealing, large cash transactions which are characterized by informality and anonymity, makes the Bank vulnerable to money laundering and terrorist financing.
 - ❖ For the purpose of large cash transactions, client's deposits and withdrawals amounting to more than ₱500,000.00 shall be tagged as such.
 - ❖ The Bank requires a declaration from its client's confirming that the nature of their business activities normally and reasonably generates considerable amounts of cash to support large, frequent or unusual cash deposits or withdrawals.
 - ❖ The Bank provides additional prudential guidelines on the information that the frontlines should gather from clients. The following additional information or questions should be assessed when handling large cash transactions, to wit:
 - Source of fund which is being deposited and its relationship to the depositor
 - Purpose for which the cash withdrawal will be used for
 - Direct and indirect beneficiaries of the cash withdrawal and their full identity, if other than the depositor
 - ❖ Where the client is unable to provide this information or the facts given fail to support the rationale behind the transaction, the Bank should immediately file a suspicious transaction.
 - ❖ If a client or a person acting on behalf of a customer provides false information, the Bank should take an appropriate

action against such customer and this includes terminating the relationship between the Bank and the client.

- ❖ Report on large cash transactions is reported on a quarterly basis to the Board of Directors through the Audit Committee.
- Regulations on Large Value Cash Transactions:
 - ❖ *Regulation on large value pay outs.* Banks shall adopt appropriate anti-money laundering/countering terrorism and proliferation financing (AML/CTPF) policies and procedures to strictly implement cash transaction limits and restrictions.

Cash Transactions

- A maximum of ₱500,000.00 per client, per day is allowed for cash withdrawals
- This limit applies to both single transactions and to the total of multiple transactions within the same banking day.

Transactions Exceeding ₱500,000.00

- For amounts beyond the daily cash limit, payments shall be processed through any of the following modes:
 - Issuance of Check
 - Fund Transfer
 - Direct Credit to Deposit Account
 - Other Accredited Digital Payment Platforms

Additional Requirements for Cash Withdrawal above ₱500,000.00

- Should a client choose to proceed with a cash withdrawal beyond the prescribed limit, the Bank may conduct of appropriate enhanced due diligence (EDD) measures and require the submission of the following supporting documents:
 - Additional Valid Identification Document(s)
 - Proof of Legitimate Business Purpose of the Transaction and/or Source of Fund.

If the Bank fails to satisfactorily complete the EDD procedures; or reasonably believes that performing the EDD process will tip-off the customer, it shall file a

suspicious transaction report (STR) and closely monitor the account and review the business relationship. The Bank shall also consider the alerts, red flags, and suspicious indicators, as well as typologies noted/reported by relevant government agencies, involving large or unusual cash transactions in filing STR.

(BSP Circular No. 1218)

✚ Nature of the Business Relationship

- Determining the nature of business relationship to understand the purpose and objectives of the client or entity.
- The Bank may determine the nature of business relationship with its clients by obtaining data about the transactions to be engaged with the Bank.

✚ Ordinary Nature of the Activity

- The nature of the transaction of the Bank may be determined by assessing the business taking into account some characteristic factors; it is clear when the transaction is ordinary.
- If the Bank is not convinced that the activities of the client is ordinary or not the Bank shall examine:
 - ❖ Volume of transactions – measure the number of transactions
 - ❖ Periodicity of the transaction
 - ❖ Whether the transaction is involved with a large amount of money

✚ Complex Transactions

- In case the Bank cannot determine the consistency of the transactions, they shall require additional information to confirm their legality. If the client refuses to submit the requirements, the Bank shall not conduct the transactions.
- Depending on the size, complexity and structure of the business. Bank shall define the characteristics of the transactions with complex structure that imply high risks and do not guarantee the veracity of the purpose of transactions.

iv. Guidelines on the Regular Updating of the Watch listed Persons Database

Watchlist of individuals and/or persons with adverse information or findings related to predicate crimes which are known by the Bank, negative file checking record (i.e., high profile local criminals, appointed officials with negative news, etc.) and entities engaged in illegal activities or terrorist related activities as circularized by the BSP, AMLC, and other international entities or organizations, such as the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and United Nations Sanctions List.

• Watchlist Monitoring

People on the watch list are generally money launderers, specifically designated nationals, parties' subject varying from sanctions programs, human traffickers, drug traffickers, and arms traffickers to the proliferation of weapons mass destruction. Checks transfer parties (originator, beneficiary, and narrative fields) and the existing customer database for any listed undesirable individual or corporation.

• Watch listed Database

Given the frequency of issuance of updated list of watch listed persons by the BSP, AMLC, and other international entities or organizations, the Bank's Watch listed Database is updated on a more frequent basis, i.e., quarterly, to capture and include in the database all the latest names of watch listed persons for the covering quarter.

v. Policies and Procedures in Handling and Use of Watch listed Person Information in Know-Your-Customer (KYC) Process

As a matter of policy, information of watch listed persons as provided in the database shall be used to verify the identity of client and to conduct due diligence appropriate to the client who wish to open a business relationship with the Bank.

- The responsible personnel shall verify the name and information of the applying client in the watch listed person database. Upon Verification, the responsible personnel shall stamp on the face of the Client Information Form (CIF) or Application for Loan Form the rubber stamp designated for the purpose indicating therein whether the account was included or not in the list of watch listed persons, the date when the verification was made and the initial or signature of the verifier, i.e., New Accounts Clerk for deposit account and Loan Processing Clerk for credit accounts.

2. An effective and continuous anti-money laundering and countering of terrorist financing training program for all directors and responsible officers and employees to enable to fully comply with the obligations and responsibilities under these rules, the AMLA as amended, the RIRR and its internal policies and procedures as embodied in the MLPP. The training program shall include refresher training to remind their obligations and responsibilities as well as update them of any changes in AML laws, rules and internal policies and procedures.

3. An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal record/s are employed to assume sensitive banking functions.
4. An internal audit system in accordance with Section 911 of the MORB.
5. An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transaction reports submitted to AMLC and the records retained in compliance with these rules as well as the adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing.
6. A mechanism that ensures all deficiencies noted during the audit and/or BSP regular or special examination are immediately corrected and acted upon.
7. Cooperation with the AMLC and Bangko Sentral.
8. Designation of an AML officer, who shall at least be at senior officer level, as the lead implementer of the program within an adequately staffed Compliance Office. The AML compliance officer may also be the liaison between the covered institution, the BSP and the AMLC on matters relating to the Bank's AML compliance. Where resources of the Bank do not permit the hiring of an AML compliance officer, the Chief Compliance Officer shall also assume the responsibility of the former.
 - SUBMISSION OF THE REVISED UPDATED MTPP

The Bank shall prepare and have available for inspection an Updated MTPP embodying the principles and provisions of Part VIII of the Manual of Regulations for Banks. Henceforth, each MTPP shall be regularly updated at least once every two (2) years to incorporate changes in AML policies and procedures, latest trends in money laundering and terrorist financing typologies and latest pertinent BSP issuances. Any revision or update in the MTPP shall likewise be approved by the Board of Directors.
9. Policies and procedures for sharing information required for the purposes of customer due diligence (CDD) and risk management.
10. A provision that the group-level compliance, audit and/or AML/CFT functions should be provided with customer account and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information on analysis of transactions or activities which appear unusual, if such analysis was done. Similarly, branches and subsidiaries should receive such information from these group level functions when relevant and appropriate to risk management. The MTPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group.
11. Adequate safeguards on the confidentiality and use of information exchanged including safeguards to prevent tipping-off.
12. A mechanism to comply with freeze, bank inquiry and asset preservation orders and all directives of the AMLC.
13. A mechanism to comply with the prohibitions from conducting transactions with designated persons and entities as set out in the relevant United Nations

Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing and financing of proliferation of weapons of mass destruction.

C. MONITORING AND REPORTING TOOLS

The Bank shall adopt an AML and terrorist financing monitoring system that is appropriate for its risk profile and ensure that it is capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks and to regularly apprise the Board of Directors and Senior Management on anti-money laundering and terrorist financing compliance. A monitoring tool to identify accounts with suspicious activities, such as but not limited to, aggregation of transaction with clients using multiple accounts maintained with different branches shall be established allowing the Bank to capture all transactions of a particular client for appropriate monitoring and analysis.

To ensure that all deficiencies noted during the audit and/or BSP examinations are immediately corrected and acted upon, the Chief Compliance Officer and Internal Auditor shall maintain an AML ROE Tracking Report which shall be reported to the Board of Directors on a quarterly basis rendering an account of the status of actions taken/being taken towards full compliance thereto.

- Manual Monitoring – The Bank in the absence of an AML/CFT electronic system must ensure that it has the means of complying with Section 911 of the MORB pending the installation of such system.

D. INTERNAL AUDIT

An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification of documents obtained from clients, the covered and suspicious transactions reports submitted to the AMLC and the records retained in compliance with Part VIII of the MORB as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing shall be in place. The coverage of the internal audit program shall include testing of the effectiveness of the Bank's customer identification process, reporting of covered and suspicious transactions and all significant AML risk areas.

The result of the Internal Audit shall be timely communicated to the Board of Directors through its Audit Committee and shall be open for scrutiny by the BSP examiners in the course of the regular or special examination without prejudice to the conduct of its own evaluation whenever necessary. Results of the audit shall likewise be promptly communicated to the Compliance Office for its appropriate corrective actions. The Chief Compliance Officer shall regularly submit reports to the Board of Directors through its Audit Committee to inform

the management's action to address deficiencies noted in the audit, if any. The internal audit function shall be conducted by the Bank's Internal Auditor, and as such, independent and with direct reporting line to the Board of Directors through the Audit Committee.

DUTIES:

- Responsible for the periodic and independent evaluation of the risk management, degree of adherence to internal control mechanisms related to the customer identification process such as the determination of the existence of customers and the completeness of the minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to customers, CT and ST reporting and record keeping and retention, as well as the adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing.
- The results of the internal audit shall be timely communicated to the Board of Directors and shall be open for scrutiny by BSP examiners in the course of regular or special examination without prejudice to the conduct of its own evaluation whenever necessary.
- Results of the audit shall likewise be promptly communicated to the Compliance Office for its appropriate corrective action.
- The Chief Compliance Officer shall regularly submit reports to the Board through the Audit Committee to inform them of management's action to address deficiencies noted in the audit, if any.

INDEPENDENT AUDIT PROGRAM

Scope of Audit

1. Policies and procedures on customer identification, risk profiling, and acceptance.
2. Process in identifying, tagging and monitoring watch listed and Politically Exposed Persons (PEPs).
3. Process in tagging and monitoring of covered and suspicious transactions.
4. Process for handling returned Thank You Letter (TYL).
5. Record keeping and retention including the digitization of customer records.
6. Adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing provided to the members of the Board, Officers and personnel.

Audit Procedures

1. Check on the Bank's customer identification and customer acceptance process.

- a. Conduct random testing to validate on the customer identification and acceptance process.
 - Select sample data of Client Information Form (CIF)
 - Review on the CIF and check on the required minimum information/documentation requirements in the opening or updating of accounts for individual and corporate/juridical entities.
 - b. Review accuracy of risk profiling methodology and implementation and the conduct of applicable due diligence procedures.
 - Tests check the Customer Risk Profiling and Risk Scoring Sheet by accomplishing the form using sample account data. Verify whether the scores provided by the template translated to the appropriate risk profile of the customer. Note for any inaccuracy.
 - Select sample data of Customer Risk Profiling and Risk Scoring Sheet. Validate whether risk profiling was conducted on all clients including co-depositors and co-makers and if it is in accordance with the customer risk profiling guidelines provided in the Bank's MTPP.
 - Validate the performance of enhanced due diligence procedures on high-risk clients upon account opening. Check on the documentary evidence supporting the enhanced due diligence conducted. Determine whether proper approval on high-risk accounts was obtained upon account opening.
2. Review the completeness and accuracy of watch listed and Politically Exposed Persons (PEP) database.
 - a. Verify the consistency of watch list checking. Check whether cross-checking verification in the watch listed accounts or OFAC list was conducted before application for new/updated accounts is approved.
 - Check whether the required verification stamp is placed on the face of the Client Information Form, Loan Application Form, and Buyer's Information Sheet.
 - Check if the watch listed verification stamp is dated and duly signed by the verifying personnel.
 - b. Check whether verification in the database of Politically Exposed Persons (PEP) was conducted before application for new/updated accounts is approved.
 - Check whether the required verification stamp is placed on the face of the Client Information Form, Loan Application Form, and Buyer's Information Sheet.
 - Check if the PEP verification stamp is dated and duly signed by the verifying personnel.
3. Verify the accuracy and effectiveness of the manual system of identifying and tagging covered and suspicious transactions of clients, including the procedures in monitoring the account activity of clients. Check the monitoring reports used in documenting the same and match against the clients' profile.

4. Conduct transaction testing to check on the accuracy, completeness and timeliness of identification and reporting of CTRs and STRs.
 - a. Select sample data from cash transactions, deposits, loans and sales contract receivables (SCR). Verify whether covered/suspicious transactions were completely gathered and timely reported and if information indicated in the CTR/STR, as applicable is complete and accurate.
 - b. For cash transactions, sample test cash proof sheets/Cashier's Blotter, tapes, or other documentation to determine whether large transactions (amount exceeding the threshold) are accurately identified and reported.
 - c. For deposit, request for the copy of Lists of Processed Deposit Accounts. Note for transactions exceeding the threshold and verify whether the transactions are promptly and accurately identified and reported. Request for the transactions' history of the noted accounts and review the account activity vis-à-vis clients' profile. Note for any activity inconsistent with the client's profile.
 - d. For loans, check on the Loan and Discount Management Information System (LDMIS) and Loan Management System (LMS) reports for loan payments and loan releases for the day. Note for transactions exceeding the threshold and verify whether the transactions are promptly and accurately identified and reported.
 - e. For SCR, check on the SCR ledger and validate against Contract to Sell (CTS) to determine contract price exceeding the threshold and whether the transactions are promptly and accurately identified and reported.
 - f. For disposal of ROPA through cash, check on the cash transactions report to determine whether the selling price exceeded the threshold and if the sale/transactions are promptly and accurately identified and reported.
4. Review the process of handling returned thank you letters.
 - a. Check on the Thank You Letter (TYL) Logbook.
 - b. Note for new accounts with TYL marked as returned to sender. Determine the reason for the return and verify the procedures conducted by the New Accounts Clerk in handling those returned TYL.
5. Verify the procedures of record keeping and retention of customers' files.
 - a. Request for the list of closed accounts for the last five (5) years, from said list, select sample accounts for review.
 - b. Request for the customers' files of the selected account, to verify its existence.
 - c. Check for completeness and accuracy of documentation.
 - d. Check whether customer identification files of sample accounts were already included in the database of digitized customer records.

7. Determine whether the following elements are adequately addressed in the AML training program and materials:
 - a. Relevant AML areas that should be looked into by the front-line officers.
 - b. Personnel responsibility and accountability under AML.
 - c. Coverage of Bank policies, procedures, processes, and new rules and regulations.
 - d. Documentation of attendance records and training materials.
8. Check whether the Board of Directors and senior management receive adequate reports on AML compliance.
 - a. Request for the file copy of all AML related memorandum and circulars from the Chief Compliance Officer. Check whether receipt of the same is duly acknowledged by all concerned personnel.
 - b. Request for the copy of the minutes of meeting of the Board of Directors. Verify whether the Board members are apprised of the latest AML regulations. Check if AML related concerns such as but not limited to AML audit and compliance exceptions and list of covered/suspicious transactions are reported to the Board.

E. RISK ASSESSMENT

Consistent with risk-based approach, the Bank is required to identify, understand and assess the ML/TF/PF, and sanctions risk or risks of potential breach, non-compliance, non-implementation or evasion of TFS obligations, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels among others. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the Bank. The risk assessment shall consider all relevant risk factors, adequately document results and findings and update the same periodically or as necessary. The Bank's risk assessment shall be conducted at least once every three (3) years or as often as the Board or senior management may direct depending on the level of risks identified in the previous risk assessment, or other relevant AML/CFT developments that may have an impact on the Bank's operations. Based on the risk assessment, the Bank shall take appropriate measures to manage and mitigate ML/TF risks. The Bank's risk assessment shall consider all relevant risk factors, including the results of national and sectoral risk assessments.

Based on the results of the risk assessment, the Bank shall take appropriate measures to manage and mitigate ML/TF/PF and sanctions risks and take enhanced measures on identified high risks areas. The risk assessment shall be made available to the Bangko Sentral during examination or in other circumstances deemed necessary as part supervision.

New products and business practices risk assessment. The Bank is also required to identify and assess the ML/TF/PF and sanctions risks that may arise in relation to the development of new products and new business practices, including new

delivery mechanism and the use of new or developing technologies for both new and pre-existing products. Such risk assessment should be an integral part of product or service development process and should take place prior to the launch of the new product, business practice or the use of new or developing technologies. The Bank should take appropriate measures to manage and mitigate the identified risks.

ML/TF/PF Risk Reporting and Notification Requirements. The sound identification and management of ML/TF/PF risks are critical in ensuring the sustained resilience and integrity of the financial system, in general, as well as the safety and soundness of the Bank, in particular. A critical component of the Bank's risk assessment and management process is the timely collection and analysis of relevant data, including risk events. In this regard, the Bank shall submit a report covering data and information on significant risk events arising from ML/TF/PF-related incidents or activities that may have a material effect to the Bank and/or the financial system. This report shall enable the Bangko Sentral to promptly identify and respond to emerging risks and supervisory concerns as well as calibrate supervisory risk assessments, strategies, and activities, among others.

- a. **Reporting requirements.** The Bank are required to submit ML/TF/PF Risk Event Report to the Bangko Sentral within twenty-four (24) hours from the date of knowledge or discovery of occurrence (i.e., from the time the event has been known or should have been known by the Bank) of any significant ML/TF/PF risk event. An ML/TF/PF Risk Event refers to ML/TF/PF-related incident that may present material and/or adverse impact to the Bank posture, or erode public confidence therein.

In determining whether an ML/TF/PF risk event is significant and reportable, the following shall be considered:

- i. The amount involved represents one (1) percent or more of the Bank's total qualifying capital; or
 - ii. Regardless of the amount involved, the Bank has determined that the ML/TF/PF-related incident has a material impact on the Bank and/or the financial system, such as those affecting significant number of customers or counterparties, with cross-border element, or those covered/may be widely covered in adverse media reports.
- b. **Procedures for reporting to Bangko Sentral.** The ML/TF/PF Risk Event Report shall contain, at a minimum, the following

information:

- i. date of knowledge or discovery of occurrence of the event or incident;
- ii. brief description of the event/incident, such as nature, type of the transaction/product, delivery channel used, and amount involved;
- iii. initial root cause of the event/incident, if determined, and response/actions taken/to be taken by the covered person thereto; and
- iv. impact to the Bank based on initial assessment (i.e., in terms of financial/operational/reputational losses).

The Bangko Sentral may require the Bank to provide additional information, documents, and/or updates, as necessary. The Bangko Sentral may also conduct special or overseeing examination, as warranted, to verify, among others, the root cause of the incident, assess the impact to the Bank and/or the financial system, if any, and identify areas for improvement to strengthen the overall ML/TF/PF risk management framework.

- c. **Compliance with other risk reporting and notification requirements.** Compliance with ML/TF/PF risk event report shall not preclude Bank from complying with other existing regulations of the Bangko Sentral on reporting crimes and losses and event-driven reporting and notification pursuant to Section 173 (Report on Crimes and Losses) and Section 148 (Reporting and Notification Standards), respectively. In case the ML/TF/PF risk event also qualifies as a major cyber-related incident, the submission of event-driven reporting and notification to the Bangko Sentral will be considered compliance with ML/TF/PF risk event report. On the other hand, ML/TF/PF risk event report covering an incident which also qualifies for reporting under operational risk event report and/or reputational risk report shall no longer require separate reporting for both operational and reputational risks notification pursuant to existing regulations.
(BSP Circular No. 1193)

CUSTOMER DUE DILIGENCE

1. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship or nature of the product, transaction or activity. The Bank shall maintain a system that will ensure the conduct of customer due diligence which shall include:
 - a. Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and judicial entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.
 - b. Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and judicial entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.
 - c. Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner based on official documents, or using relevant information or data obtained from reliable sources, such that the Bank is satisfied that it knows who the beneficial owner is. The Bank should have a system to understand the nature of the customer's business and ownership and control structure, in case of juridical persons or legal arrangements.

Where the customer or the owner of the controlling interest is a company listed in a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) to ensure adequate transparency of beneficial ownership or is a majority-owned subsidiary of such company, the Bank is not required to verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register from the customer or from other reliable sources.

The Bank shall keep records of the actions taken in order to identify the beneficial owner.

- d. Understanding and as appropriate obtaining information on the purpose and intended nature of the business relationship.
- e. Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the Bank knowledge of the customer, their business and risk profile, including where necessary the source of funds.

Where the Bank is unable to comply with the relevant CDD measures, it shall refuse to open an account, commence business relations or

terminate the business relationship or perform the transaction and consider filing a suspicious transaction report (STR) in relation to the customer.

In cases where the Bank forms a suspicion of ML/TF and associated unlawful activities and reasonably believes that performing the CDD process will tip-off the customer, the Bank need not pursue the CDD process but should file an STR, closely monitor the account and review the business relationship.

2. The Bank shall be required to undertake customer due diligence when:
 - a. It establishes business relations with any customer;
 - b. It undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the Bank;
 - c. There is a suspicion of money laundering or terrorist financing; and
 - d. There is a doubt about the veracity or adequacy of previously obtained customer identification data.
3. "Business relations" means the opening or maintenance of an account or the provision of financial advice by the Bank to a customer.
4. "Relevant business transaction" shall refer to:
 - a. A transaction with a value exceeding ₱100,000.00 except money changing or remittance transactions; and
 - b. Two or more transactions believed to be linked and with an aggregate value exceeding ₱100,000.00.
5. For existing customers. Bank shall apply CDD requirements to existing customers on the basis of materiality and risk and conduct due diligence on existing relationships at appropriate times, taking into account CDD measures previously undertaken as well as the adequacy of information and documents obtained.

For this purpose, Bank should have appropriate system to identify and determine occasional customer or transaction.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE

HIYAS BANKING CORPORATION fully supports the thrust of the Bangko Sentral ng Pilipinas to continuously implement reforms aimed at strengthening corporate governance cognizant that it is central in sustaining the resiliency and stability of the Bank and the financial system in general.

It is in this light that the Bank aims to align its existing regulations with the requirements of the Bangko Sentral ng Pilipinas adopting where possible international best practices such as the “Corporate Governance Principles for Banks” issued by the Basel Committee on Banking Supervision in July 2015. As stated in its introduction, “Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks’ safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health. Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole.”

The Bank’s corporate philosophy consists of its commitment to excellence and best practices towards achieving the promotion of corporate fairness, transparency and accountability.

The Board of Directors and management, employees and stockholders of the HIYAS BANKING CORPORATION (HBC), a Thrift Bank, believe that sound and effective corporate governance practices are essential to achieving and maintaining public trust and confidence, providing the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance as determined.

The Bank commits to a philosophy of adhering to honesty, integrity and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, providing transparency on its basic management policies and practices, major business strategies and operating results.

We firmly believe that our strength and growth are built on a foundation of sound, responsible, and effective corporate governance. Our unwavering commitment to fully complying with applicable laws and regulations underscores our dedication to implementing best practices in risk management tailored to our Bank’s size and complexity. We consistently strive to review and update our policies and procedures in response to changes in the regulatory environment. To this end, we have instituted several reforms designed to ensure not only our compliance but also to uphold our integrity and accountability to our stakeholders. Our proactive approach reflects our continuous effort to align with the highest standards of governance and risk management.

❑ THE BOARD OF DIRECTORS

The corporate powers of an institution shall be exercised, its business conducted and all its resources controlled through its Board of Directors. The powers of the Board of Directors as conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the institution.

The Board of Directors, as the highest governance body of the Bank, is responsible for establishing a robust and effective governance system. This includes setting strategic business directions, appointing senior officers, approving major strategies and policies, monitoring business and management performance, and ensuring a reasonable return on investment for our shareholders. Through diligent oversight and strategic decision-making, the Board plays a critical role in guiding the Bank towards sustainable growth and long-term success.

❑ SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

Pursuant to Sections 15 and 17 of R.A. 8791 and as provided in Section 1 of the Bank’s Corporate By-Laws, the Board of Directors shall consist of nine (9) members, who shall be elected by the HBC stockholders entitled to vote at the Annual Meeting held on the first Sunday of May each year. Directors shall hold office for one (1) year and continue in their roles until their successors are elected and qualified in accordance with the Articles of Incorporation and By-Laws of the Corporation.

Additionally, members of the Board shall adhere to the fit and proper standards as provided in Section 16 of R.A. 8791. This adherence ensures the maintenance of effective governance and provides better protection for depositors and the public in general.

The senior management and officers are selected based on the following factors:

- Credentials and qualifications for the said position
- Training and acquired skills
- Sense of responsibility and work values
- Exposure/ working knowledge on the requirements of the position.
- 90% of all development occurs on the job, so the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens up effective communication lines.
- Length of service, loyalty and dedication to the Bank

Their appointment and election are subject to the approval of the Board of Directors. Moreover, senior management shall adhere to the fit and proper standards as provided in the Amended Manual of Human Resources Policies and Procedures to ensure the maintenance of high-quality management. Recognizing the importance of mutual trust and a close working relationship, senior management members shall also uphold the institution's general operating philosophy, vision, and core values.

❑ **OVERALL RESPONSIBILITY OF THE BOARD OF DIRECTORS**

The Board of Directors is primarily responsible for defining the Bank's vision and mission. The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives, the implementation of risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework, approve the selection of the CEO/President and key members of senior management and control functions and oversee their performance.

- a. The Board of Directors shall define the Bank's corporate culture and values.

It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the Board of Directors shall:

1. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain

at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that director, officers and all personnel are expected to conduct themselves ethically and perform their job with skill, due care and diligence in addition to complying with laws, regulations and company policies.

2. Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The Board of Directors shall establish, actively promote and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The Board of Directors shall ensure that the President and executive team champion the desired values and conduct and that they face material consequences if there are persistent or high-profile conduct and value breaches.
 3. Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board of Directors itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- b. The Board of Directors shall be responsible for approving the Bank's objectives and strategies and in overseeing the management's implementation thereof. In this regard, the Board of Directors shall:
1. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 2. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and ability to manage risks effectively. In this respect, the Board of Directors shall establish a system for measuring performance against plans.
 3. Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.

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4. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board of Directors shall regularly review these policies, as well as evaluate control functions (internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
- c. The Board of Directors shall be responsible for the appointment/ selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board of Directors shall:
1. Oversee the selection of the President and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of the senior management shall uphold the general operating philosophy, vision and core values of the Bank.
 2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior and reinforce the Bank's operating and risk culture.
 3. Oversee the performance of senior management and heads of control functions:
 - a. The Board of Directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - b. The Board of Directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board of Director's performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
 - c. The Board of Directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter.
 - d. Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance and related party transactions committees, in the absence of the senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
- d. The Board of Directors shall be responsible for approving and overseeing the implementation of the Bank's corporate governance framework. In this regard, the Board of Directors shall:
1. Define appropriate governance structure and practices for its own work and ensure that such practices are followed and periodically reviewed.
 - a. The Board of Directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues and thorough review of matters. The Board of Directors shall meet regularly to properly discharge its functions and likewise have discussions on values, conduct and behaviors.
 - b. The Board of Directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the Board of Directors, the Bank's complexity of operations as well as the Board of Directors' long-term strategies and risk tolerance.
 - c. The Board of Directors shall regularly review the structure, size and composition of the Board of Directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board of Directors and board-level committees shall be adopted which shall include, but not limited to benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board of Directors.
 4. Engage in succession planning for the President and other critical positions as appropriate. In this respect, the Board of Directors shall establish an effective succession planning program that includes a system for identifying and developing potential successors for the President and other critical positions.
 5. Ensure that personnel's expertise and knowledge remain relevant. The Board of Directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of development relevant to their areas of responsibility.
 6. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times and that all transactions involving the pension fund are conducted at arm's length terms.

- d. The Board of Directors shall adopt policies aimed at ensuring that the members of the Board of Directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
 - e. The Board of Directors shall ensure that its individual members and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. All members of the Board of Directors shall have reasonable access to any information about the Bank at all times. The Board of Directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - f. The Board of Directors shall assess at least annually its performance and effectiveness as a body, as well as its committees, the President, the individual directors and the Bank itself. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
 - g. The Board of Directors shall maintain appropriate records of its deliberations and decisions. The Board of Directors shall also ensure that independent views in meetings of the board shall be given full consideration and all such meetings shall be duly minuted.
2. Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board of Directors shall ensure that policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking and is not in conflict with the director's fiduciary responsibilities.
 3. Adopt a policy on retirement for directors and officers as part of the succession plan to promote dynamism and avoid perpetuation in power.
 4. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
 5. Maintain and periodically update organizational rules, by-laws or other similar documents setting out its organization, rights, responsibilities and key activities. The Board of Directors shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
6. Oversee the development, approve and monitor implementation of corporate governance policies which should be followed and periodically reviewed for ongoing improvement.
 7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged. In this regard:
 - a. The Board of Directors shall approve all material RPTs, those that cross the materiality threshold and write-off material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Directors. All final decisions of the Board of Directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meeting and duly reflected in the minutes of board of directors and stockholders' meetings.
 - b. The Board of Directors shall establish an effective system to:
 - i. Determine, identify and monitor related parties and RPTs
 - ii. Continuously review and evaluate existing relationships between and among businesses and counterparties
 - iii. Identify measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/ supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the Board of Directors.
 - c. The Board of Directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Banks is well-insulated from any going concern issue of related parties.
 - d. The Board of Directors shall oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing. The Board

of Directors should take responsibility for ensuring that anyone who raises concerns is protected from detrimental treatment or reprisals.

- e. The Board of Directors shall be responsible for approving the Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the Board of Directors shall:
1. Define the Bank's risk appetite. In setting the risk appetite, the Board of Directors shall take into account the business environment, regulatory landscape and the Bank's long-term interests and ability to manage risks.
 2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy and risk limits.
 3. Oversee the development of, approve and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
 4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense and the internal audit function for the third line of defense. In this regard:
 - a. The Board of Directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources and carry out their responsibilities independently, objectively and effectively.
 - b. The Board of Directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit committee in the absence of senior management.
- f. In view of the Bank having been approved by the Bangko Sentral as a simple, non-complex Bank, the Board of Directors assume the duties of the **RELATED PARTY TRANSACTIONS COMMITTEE** as mandated by Section 133 of the MORB, to wit:
1. Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, RPTs and changes in relationships are reflected in the relevant reports to the Board of Directors and regulators/ supervisors.
 2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related

parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Board of Directors will take into account, among others, the following:

- a. The related party's relationship to the Bank and interest in the transaction.
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction.
 - c. The benefits to the Bank of the proposed RPT.
 - d. The availability of other sources of comparable products or services.
 - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank has in place effective price discovery system and has exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material are for prior approval of the Board of Directors.
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflicts of interest or potential conflicts of interest. The disclosure includes information on the approach to managing material conflicts of interest that are inconsistent with such policies and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
4. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process.
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.
- g. **RISK OVERSIGHT FUNCTIONS** (Sec. 133 of the MORB). The Board of Directors likewise assume the functions of a Risk Oversight Committee on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statements and report on the state of the Bank's risk culture, viz:
1. Oversee the risk management framework. The Board of Directors oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of the risk management systems and recovery plans. It ensures that corrective actions are promptly implemented to address risk management concerns.
 2. Oversee the adherence to risk appetite. The Board of Directors ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite assessing the overall status of

adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control and performance of management among others.

3. Oversee the risk management function. The Board of Directors is responsible for the appointment/selection, remuneration and dismissal of the Risk Management Officer. It also ensures that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.

h. CORPORATE GOVERNANCE FUNCTIONS (Sec. 133 of the MORB)

The responsibilities of the Board of Directors in fulfilling its corporate governance, to wit:

1. Oversee the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors. Review and evaluate the qualifications of all persons nominated to the Board of Directors as well as those nominated to other positions requiring appointment by the Board of Directors. Recommend the matters pertaining to the assignment as well as succession plan for the members of the Board of Directors and senior management.
2. Oversee the continuing education program for the Board of Directors. Ensure allocation of sufficient time, budget, and other resources for the continuing education of directors and draw on external expertise as needed. Establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors. The orientation program for first time directors shall be for at least eight (8) hours, while the annual continuing training for at least four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.
3. Oversee the performance evaluation process. Oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness, and participation) of the Board of Directors, board-level committees and senior management. Internal guidelines be adopted that address the competing time commitments of directors serving on multiple boards.
4. Oversee the design and operation of the remuneration and other incentives policy. Ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the Bank, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics and comply with legal and regulatory requirements. Examine whether incentives provided by the remuneration system take into consideration risk, capital and the likelihood and timing of earnings. Moreover, it monitors and reviews the remuneration and other incentives policy including plans, processes, and outcomes to ensure that it operates and achieves the

objectives as intended.

□ THE CHAIRPERSON OF THE BOARD

The Chairperson of the Board of Directors shall provide leadership in the Board ensuring its effective functioning and maintaining a relationship of trust with its members. She shall:

- Ensure a sound decision making process.
- Encourage and promote critical discussion.
- Ensure that dissenting views can be expressed and discussed within the decision-making process.
- Ensure that members of the Board of Directors receive accurate, timely and relevant information.
- Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors.
- Ensure conduct of performance evaluation of the Board of Directors at least once a year.

The Chairperson of the Board shall preside at all meetings of the Board of Directors. In her absence or inability to so preside, the meeting shall be presided over by any other member of the Board or officer so delegated for the purpose. The Chairperson of the Board shall have such powers as may be prescribed by the Board.

To promote checks and balances, the Chairperson of the Board of Directors shall be a non-executive director or an independent director. The positions of Chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of Chairperson of the Board of Directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

The Chairperson must not have served as CEO of the Bank within the past three (3) years. In exceptional cases, former CEOs of the Bank may be allowed to immediately assume the position of chairperson of the board of directors, Provided, that:

- This is consistent with the provisions of its succession plan; and
- There are no major supervisory concerns in the quality of the Bank's governance, risk management system, and internal controls and compliance system, and the Bank is not subject to escalated enforcement action.

□ COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Sections 15 and 17 of R.A. 8791, the Board of Directors have nine (9) members who are elected by the HBC stockholders entitled to vote at the annual meeting and hold office for one (1) year and until their successors are elected and qualified in accordance with the Article of Incorporation and By-Laws of the corporation.

To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the Board of Directors to promote the independent oversight of management by the Board of Directors.

At least three (3) members of the Board of Directors shall be independent directors.

Non-Filipino citizens may become members of the Board of Directors of the Bank to the extent of the foreign participation in the equity of the Bank.

BOARD COMPOSITION

Name of Director	Type of Directorship	Number of Years Served	Number of Shares	Percentage of Shares to Total Outstanding Shares
1. Angelica Halili Cruz	Non-Executive	49 yrs. & 7 mos.	82,392	8.24%
2. Patria H. Perez	Executive	25 yrs. & 6 mos.	91,150	9.12%
3. Maria Josefa A. Halili	Non-Executive	24 yrs. & 4 mos.	11,458	1.15%
4. Juanita L. Cruz	Non-Executive	38 yrs. & 8 mos.	90,657	9.07%
5. Azucena P. Mangubat	Non-Executive	45 yrs. & 7 mos.	65,882	6.59%
6. Teresita B. Halili	Non-Executive	3 yrs. & 4 mos.	60	0.01%
7. Loreto DJ. Guballa	Independent Director	4 yrs. & 8 mos.	4,039	0.40%
8. Oscar C. Domingo	Independent Director	1 yr. & 8 mos.	10	0.00%
9. Angelina S. Domingo	Independent Director	8 mos.	3,900	0.39%

❑ POLICY ON MULTIPLE BOARD SEATS

The capacity of the directors to diligently and efficiently perform their duties and responsibilities as members of the Board should not be compromised. A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

❑ INTERLOCKING DIRECTORSHIP/OFFICERSHIP

The Bangko Sentral recognizes that effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. The Bank has an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other banks or entities are optimized, that the concerned directors or officer devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive

concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

❑ BOARD QUALIFICATIONS

QUALIFICATIONS OF A DIRECTOR

- a. A director of the Bank shall have the following minimum qualifications:
 - Ownership of at least nine percent (9%) of the paid in capital stock of the HBC either on an individual or aggregate (family group) basis.
 - At least twenty five (25) years of age at the time of his election or appointment.
 - A college degree or its equivalent or adequate experience and competence in managing a business to substitute for such formal education.
 - He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; sufficiency of time to fully carry out responsibilities; and presence of concurrent positions in the same bank and/or interlocking positions in other entities that may pose conflict of interest.
 - No disqualifications as provided for in the Corporation Code, BSP Manual of Regulations for Banks, Circulars and SEC rules and regulations.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138 of the Manual of Regulations for Banks. A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board of Directors.

The Bangko Sentral considers its own records in determining the qualifications of a director.

The members of the board of directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

- He must have attended a seminar on corporate governance for the board of directors. A director submits to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance. Provided, that the following persons are exempted from complying with the aforementioned requirement:
 - Filipino citizens with recognized stature, influence and reputation in the banking community, including director's publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. The Bangko Sentral consider results of supervisory assessments in evaluating the eligibility of candidate for the exemption;
 - Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. Senior officials in the Bangko Sentral refer to those who assumed Managing Director position or higher; or
 - Former Chief Justices and Associate Justices of the Philippine Supreme Court;

Provided, that this exemption shall not apply to the annual training requirements for the members.

b. Independent and Non-Executive Directors

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities. In this regard, the following shall apply:

- A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.
- An independent director may only serve for a maximum cumulative term of nine (9) years. After which, the independent director is perpetually barred from serving as independent director in the same bank but may continue to serve as regular director. The maximum cumulative term for independent directors is reckoned from 2012.

- c. Members of the Board of Directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

The Board of Directors consists of highly qualified Filipino members of the local business community with years of experience and expertise required in the governance of a financial institution. Track record of the members of the Board will show that they have been directors for a number of years having been re-elected during the annual stockholders' meeting.

While some members may not have completed business-related academic degrees, they have nonetheless gained substantial practical business experience through the management and operation of their own business enterprises, which has provided them with valuable exposure to entrepreneurship, business decision-making, and financial management. Coupled with their extensive years of service and involvement in the Bank's operations and governance, these experiences have further enhanced their qualifications, competence, and ability to effectively discharge their duties and responsibilities as members of the Board of Directors.

□ **BOARD LEVEL COMMITTEE**

The Board of Directors delegates some of its functions, but not its responsibilities, to board-level committee. In this regard, the Board of Directors shall:

- a. Approve, review and update, at least annually or whenever there are significant changes therein, the respective charter of committee or other documents that set out its mandate, scope and working procedures. Said charter articulate how the committee will report to the full board of directors what is expected of the committee members, and tenure limits for serving on the committee. The Board of Directors shall also consider occasional rotation of committee members and chair to avoid undue concentration of power and promote fresh perspective.
- b. Appoint members of the committee taking into account the optimal mix of skills and experience to allow the Board of Directors, through the Committee, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board of Directors appoints independent directors and non-executive members of the Board of Directors to the greatest extent possible.
- c. That the committee maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of deliberations and decisions. Such records document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- d. Constitute the Audit Committee in view of the Bank having been duly approved by the Bangko Sentral as a simple and non-complex Bank. As mandated, only the audit and compliance matters shall be discussed and taken up in the meetings of the Audit Committee with the views of the

independent directors duly considered and minuted and subject to the confirmation of the Board.

❑ AUDIT COMMITTEE

The Audit Committee, chaired by an Independent Director, shall assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholders’ value and protecting their interest through effective oversight on establishing and maintaining an adequate, effective and efficient internal control framework; ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets and reviewing the effectiveness of compliance and internal/external audit functions. (Corporate By-Laws, Article VIII, Section 2)

The Audit Committee shall be composed of seven (7) members of the Board of Directors who shall all be non-executive directors and independent directors, including the Chairperson.

The Audit Committee shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. It shall have access to independent experts to assist them in carrying out its responsibilities.

❑ DUTIES AND RESPONSIBILITIES

The Audit Committee shall:

1. Oversee the financial reporting framework. The Committee shall oversee the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Monitor and evaluate the adequacy and effectiveness of the internal control system. The Committee shall oversee the implementation of internal control policies and activities and ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank’s risk profile and strategic direction.
3. Oversee the compliance function. The Committee shall review and approve the compliance testing scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank’s compliance system. The Committee shall functionally meet with the Bank’s Chief Compliance Officer with such meetings duly minuted and adequately documented. In this regard, the Audit Committee shall review and approve the performance and compensation of the Chief Compliance Officer and budget of the compliance function.
4. Oversee the internal audit function. The Committee shall be responsible for the appointment/selection, remuneration and dismissal of internal auditor. It shall review and approve the audit scope and frequency and ensure that

the scope covers the review of the effectiveness of the Bank’s internal controls, including financial, operational and compliance controls and risk management system. The Committee shall functionally meet with the Bank’s Internal Auditor with such meetings duly minuted and adequately documented. In this regard, the Audit Committee shall review and approve the performance and compensation of the Internal Auditor and budget of the internal audit function.

5. Oversee the external audit function. The Committee shall be responsible for the appointment, fees and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.
6. Oversee implementation of corrective actions. The Committee shall receive key audit and compliance reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions.
7. Investigate significant issues/concerns raised. The Committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
8. Establish whistleblowing mechanism. The Committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

❑ COMPOSITION OF AUDIT COMMITTEE

Chairman: OSCAR C. DOMINGO
Members: ANGELINA S. DOMINGO
 AZUCENA P. MANGUBAT
 ANGELICA HALILI CRUZ
 MARIA JOSEFA A. HALILI
 JUANITA L. CRUZ
 TERESITA B. HALILI

DIRECTORS’ ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	Board		Audit Committee	
	Number of Meetings		Number of Meetings	
	Attended	%	Attended	%
1. Patria H. Perez	24	100%		
2. Angelica Halili Cruz	24	100%	12	100%
3. Maria Josefa A. Halili	24	100%	12	100%
4. Juanita L. Cruz	24	100%	12	100%

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	Board		Audit Committee	
	Number of Meetings		Number of Meetings	
	Attended	%	Attended	%
5. Azucena P. Mangubat	24	100%	12	100%
6. Teresita B. Halili	24	100%	12	100%
7. Loreto DJ. Guballa	24	100%		
8. Romel G. Fausto ¹	8	100%	4	100%
9. Oscar C. Domingo	24	100%	12	100%
10. Angelina S. Domingo ²	16	100%	8	100%
Total Number of Meetings Held During the Year	24		12	

Note: 24 Regular Meetings and 1 Organizational Meeting were held by the Board of Directors for year 2025.

¹ Member of the Board and Audit Committee until April 2025

² Member of the Board and Audit Committee commencing May 2025

❑ EXECUTIVE OFFICERS

THE OFFICERS

As per Sec. 134 of the MORB, officers include the Chief Executive Officer or President, executive vice president, senior vice president, vice president, general manager, treasurer, secretary, trust officer, chief security officer and others mentioned as officers of the Bank, or those whose duties as such are defined in the By-laws or are generally known to be officers of the Bank (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the Bank: PROVIDED, that a person holding the position of Chairperson of the Board or another position in the Board of Directors shall not be considered as an officer unless the duties of his position in the board of directors include functions of management such as those ordinarily performed by regular officers: PROVIDED, FURTHER, that members of a group/sub-group or committee/sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

Each officer shall contribute his share in the pursuit of good corporate governance. His service characterized by honesty and integrity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound banking practices and the rule of law, as well as fairness and equity to all depositors and clients constituting the banking public; his peers and colleagues in the Bank and the banking community, the Board and senior officers, and the public in general.

The Bank's leadership team is composed of:

President	PATRIA H. PEREZ
Vice-President/Chief Compliance Officer	ARNEL Y. GRAVADOR
Corporate Secretary	ELEANOR C. MENDOZA

Treasurer
 Chief Internal Auditor
 Comptroller
 Risk Management Officer
 Vice-President/General Manager
 Chief Security Officer

GERARDO M. DE LEON
 JOANNE B. DE LEON
 PEACHY VELLE. L. SANCHEZ
 JENELYN M. DE GUZMAN
 CRISANTO P. POLICARPIO, JR.
 MANUEL D.V. ERANES

These officers had been chosen based on the following factors:

- Credentials and qualifications for the said position.
- Training and acquired skills.
- Sense of responsibility and work values.
- Exposure/ working knowledge on the requirements of the position.

90% of all development occurs on the job, so the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens up effective communication lines.

- Length of service, loyalty and dedication to the Bank

PERFORMANCE ASSESSMENT PROGRAM

Performance reviews provide the Bank an opportunity to have dialogues with employees that managers may not have the time to do so. A well-written performance review that is discussed with the employee serves many purposes and can help turn a non-performing employee into a valued contributor. It can also help managers to discover the cause of a particular employee's performance challenges. Some performance problems are rooted in personal troubles unrelated to work or can be caused by ineffective direction, co-worker issues, or other manageable problems. In those cases, taking the time to deliver a well thought out review and talk with the employee about performance can have broad positive effects.

On the other hand, where performance issues are ongoing, written performance reviews that are discussed with an underperforming employee can serve as documentation that performance concerns were relayed and clarified before the management took some adverse employment action. If an employee were to file a legal claim against the Bank, the documentation in a professionally written and delivered review is helpful to defend against liability.

Regardless of the underlying reason for doing a timely review, dedicating the attention and energy to following the performance review process is time well

spent. By communicating in this way, the Bank can help a poorly performing employee turn the performance issues around and become a vital contributing member of the workforce. If, despite the foregoing, poor performance continues, a timely and accurate review helps provide a basis for taking adverse action.

Performance appraisals and regularly scheduled reviews are opportunities perfect to emphasize and encourage development, set goals, and discuss expectations, with the Bank's Office of the Human Resources asking the employees what they have learned, what new responsibilities they have taken on and which opportunities they are interested in in the future.

The specific objectives of the performance review shall be:

1. to assess actual performance and accomplishments against the duties, responsibilities, and standards of the employee's position, including achievement of affirmative action goals, as appropriate, and meeting supervisory responsibilities, if any;
2. to recognize the employee's special talents, capabilities, and achievements;
3. to promote the effectiveness of the employees through articulation of the types of contributions they can give to the Bank that will lead to greater professional growth, recognition, and rewards;
4. to encourage communication between the employee and his supervisor, identify employee potential and interests, and assist employees in professional growth; and
5. to maintain a written record of employee performance to support future personnel decisions (e.g., promotion, salary increase, reassignment, transfer, reemployment, or disciplinary action).

In compliance with the requirement of regulatory authorities and as a matter of good corporate governance practice, the Board of Directors shall likewise conduct on an annual basis, a review of its performance against established criteria, for purposes of assessing its effectiveness both as a body and in their individual capacities, and as a tool in the Bank's efforts to improve its structure, composition, practices, and procedures.

The Audit Committee, on the other hand, shall evaluate, on an annual basis, the performance of the control functions, namely: Chief Internal Auditor and Chief Compliance Officer.

POLICY:

The Board of Directors shall conduct an annual evaluation of itself to assess its effectiveness both individually and as a body. The evaluation shall be conducted during the first quarter of the year in time for the Board of Directors' regular meeting, which will be held in April of each year prior to the Annual Stockholder's Meeting, which is held every first Sunday of May of each year. The result of such evaluation will be confirmed by the Board of Directors during such regular meeting. Using the Bank Form

(Rating Sheet) prepared for the purpose, the Board-Level Committee, *i.e.*, the Audit Committee, and the President, are likewise evaluated, and the result of the exercise shall be presented and deliberated as well during a regular board meeting immediately following the evaluation but not to beyond the month of April of each year.

The Risk Management Officer shall be assessed by the members of the Board of Directors on an annual basis using a designated Bank Form, Performance Evaluation Form, specifically developed for her position.

The independent positions or control functions, *i.e.*, Chief Internal Auditor and Chief Compliance Officer shall be assessed by the members of the Audit Committee on an annual basis using a designated Bank Form, Performance Evaluation Form, specifically developed for said positions.

It is the Bank's practice for the employee's immediate supervisor to conduct the evaluation as he is the one, who assigns the work to the employee and who gives the instructions on how it should be done. The immediate supervisor either on a regularly scheduled basis, or upon instruction by the management, or whenever an employee's positive or negative performance warrants formal documentation, must:

1. prepare a formal, written assessment of the performance, including, if appropriate, achievement of affirmative action goals; meeting supervisory responsibilities; as well as professional growth and future potential;
2. determine an overall performance evaluation rating; and
3. submit a copy of the written assessment/evaluation to the Office of the Human Resources.

The immediate supervisor should plan for a performance evaluation by communicating at the employee to be evaluated his/her specific duties and responsibilities and the related specific standards for his/her evaluation at the beginning of the performance cycle. Standards should include affirmative action goals and supervisory responsibilities, as appropriate. The supervisor may involve the employee when developing these standards. It is recommended that documentation on performance evaluations be based on measurable and observable work behaviors.

As detailed above, a probationary employee shall be appraised twice, *i.e.*, about midway through the probationary period and again, just before the end of the probationary period and before he/she is confirmed for a regular and permanent status as an employee of the Bank.

Contractual employees are evaluated using scorecard once a year and prior to the renewal of their respective contracts of service.

STANDARDS OF EVALUATION

- ✚ Performance appraisal should be a growth experience for the employee and his supervisor.
- ✚ It will be used to evaluate the employee's performance during the entire period of employment since the employee's last appraisal.
- ✚ Performance appraisals will be based strictly upon job performance, utilizing the employee's job description as the basis for the appraisal. All employees will be given an opportunity to discuss with their immediate supervisor, or any officer who may be designated for the purpose, their job descriptions to ensure that they understand their tasks and responsibilities. The periodic review shall also assess, among others, the employee's job knowledge, adaptability, dependability, leadership, initiative, cooperation, and relations with others. This shall also assess the employees on additional criteria such as contribution to the Bank's operation, i.e., contribution to deposit and loan solicitation and real-and-other-properties-acquired (ROPA) disposal, relevant insights and ideas on product development and promotion, and other extra efforts that benefits the Bank's operation, as well as excellent work attitude, such as job promotion, additional workload, working extra hours, selfless work attitude, loyalty to the Bank, participation in the Bank's activities, and compliance with its sustainable finance strategies. The appraisal will also strive to project the employee's potentials within the organization.
- ✚ Performance appraisals will be used as foundation for goal setting. Both the supervisor and the employee will be encouraged to develop short-term and long-term goals among themselves towards the attainment of the Bank's vision. The primary purpose of this exercise is, after all, to integrate into the Bank a feedback mechanism as to how well an employee does his/her job and to allow him/her and his/her supervisor to work out action plans for improving his/her efficiency and effectiveness on the job.
- ✚ Supervisors shall also solicit inputs from other employees, who work closely with the employee being appraised.
- ✚ Before the performance appraisal is presented to the employee concerned, it will be reviewed and approved by the Bank's Human Resources Officer.
- ✚ The results of the performance evaluation are strictly confidential and shall be discussed by the supervisor with the employee concerned so that the latter will know his/her strengths on the job, as well as the areas where improvements are needed. The report will form part of his/her personnel files and shall serve as a guide in pinpointing his/her specific training requirement for career development.

The performance of an employee based on his/her job description is judged in terms of the following factors:

1. The dimension of the job which includes the requirements, duties and responsibilities and their standards of satisfactory performance. This answers the questions, "What must be done?" "How should the job be done?" and "How well should it be accomplished?"

2. The dimension of the man and his performance. "What has he accomplished?" "What has he contributed to the achievement of the objectives of his department and the Bank as a whole?" This aspect centers on the overall quality of performance.

On the other hand, the Board of Directors performs three (3) major roles, namely:

- it provides vision and strategic direction for the Bank;
- it controls and monitors management; and
- it provides support and advice.

Evaluation of the Board of Directors typically examines these roles of the Board and the entailing responsibilities and assesses how effectively these are fulfilled by the Board as a body, the Board-level Committee, i.e., the Audit Committee, the Directors in their individual capacities, the President, and the Risk Management Officer.

The effectiveness of the Board of Directors depends on a variety of factors, some of which are its structure, dynamics and functioning, business strategy governance, financial reporting process, internal audit and controls, monitoring, support and advisory role, as well as the Chairperson's role. The evaluation of the performance of the Board of Directors is essentially an assessment of how it, as a Body, the Audit Committee, the Directors in their individual capacities and the President have performed as far as these parameters are concerned.

The evaluation process involves: (1) the identification of areas for evaluation; (2) formulating a questionnaire on the areas for evaluation; (3) obtaining responses of individual Directors to the questionnaire on a rating scale; (4) reporting the result of the evaluation to the Board of Directors, who shall deliberate thereon and where applicable, develop an action plan to address an issue or concern; and (5) periodically review its implementation as warranted.

Conversely, the Audit Committee oversees the control as well as risk oversight functions and as such, is responsible for evaluating the performance of the independent positions, i.e., Chief Internal Auditor and Chief Compliance Officer.

The evaluation process includes the assessment, among others, of the control functions' performance on: (1) communication and interaction with the Audit Committee; (2) independence, objectivity, and integrity in the conduct of work; (3) quality of work; (4) work attitude; (5) documentation; and (6) relationship with other employees. The purpose of this performance appraisal is to gauge how well the control functions does their job and to allow the Audit Committee and the management to work out plans for improving efficiency and effectiveness on the job.

EVALUATION PROCESS

The annual performance evaluation is conducted during the first quarter of every year using the Bank Forms for Rating Sheet and/or Performance Evaluation developed for the purpose.

❑ BOARD OF DIRECTORS

Rating Sheets had been specifically developed for the performance evaluation of the:

1. Board of Directors, as a body;
2. Audit Committee;
3. President and
4. Individual Directors

The Board of Directors shall evaluate and assess the performance of the Risk Management Officer using the Bank Form for Performance Evaluation specifically developed for the position.

The results of this exercise are collated, and summarized in a template and eventually presented to the Board of Directors by the Office of the Human Resources for further deliberation and/or confirmation.

❑ CONTROL FUNCTIONS (CHIEF COMPLIANCE OFFICER AND CHIEF INTERNAL AUDITOR)

The Audit Committee shall evaluate and assess the performance of the control functions using the Bank Form for Performance Evaluation specifically developed for the Chief Compliance Officer and Chief Internal Auditor. The result of such evaluation, especially where there are concerns, shall be discussed with the concerned officer to afford him/her the chance to explain and to arrive at concrete plans of action on how to improve his/her performances. The result of the evaluation shall then be presented to the Board of Directors for further deliberation and/or confirmation.

❑ DEPARTMENT HEADS, RANK AND FILE EMPLOYEES

A Bank Form for Employee Performance Evaluation, i.e., for frontline staff, back-office, and unit head and officer, has been developed and shall be used by the immediate supervisors in assessing the performance of their subordinates. The Bank's Human Resources Officer shall provide the Bank Officers and Department Heads such Bank Form and identify the employees they will evaluate. Upon submission of the accomplished form, the Human Resources Officer shall review the evaluation and, where there are concerns, discuss the result thereof to the concerned employee/s to afford him/her due process and arrive at a consensus on how to address such concerns and work towards improving his/her performance in the future. Such consensus shall be

properly documented and will serve as an additional benchmark in assessing and determining the employee's compliance and performance the following year.

Where an employee has been promoted or transferred to a new position or branch of appointment within the one (1) year evaluation period, that employee shall be evaluated BOTH by the former supervisor in his/her former position and his/her incumbent supervisor in his/her present position.

❑ CONTRACTUAL EMPLOYEES

Contractual employees, i.e., service contractual and professional service contractual, shall be assessed by the Bank officer who is in the position to observe their personal performance the whole year using the Bank Form, i.e., Scorecard. For instance, security guards shall be evaluated by the Chief Security Officer for the Head Office and the Branch Managers of their branch of appointment. The Corporate Secretary and Legal Counsel shall be evaluated by the President. The IT Technical Support shall be evaluated by the Branch Manager Head, while the Building Caretaker for Malolos building shall be evaluated by the Branch Manager of Malolos. Such annual evaluation should be conducted before the renewal of their respective Contracts of Service/Professional Service Contract and considered a factor in the renewal, re-negotiation or termination thereof.

❑ PROBATIONARY EMPLOYEES

Probationary employees are evaluated by their immediate supervisor and/or training officer, twice, i.e., around the third month and in the end of their six-month probationary period. The first evaluation shall give them the chance to improve their performance whereas the second evaluation shall determine their competency or ineptness and assist the Human Resources Officer in making a hiring decision. In cases, where a probationary employee appeals for a longer period of probation, such request and accommodation should be properly documented and approved/disapproved by the Board of Directors.

All the results of performance evaluation of the Board of Directors down to the probationary employees shall be collated and summarized in a template prepared for the purpose and along with the evaluation documents submitted to the Board of Directors for confirmation.

The Human Resources Officer is responsible for the safekeeping of all documents pertinent to performance evaluations, which forms part of each Director's and employee's personnel files.

COMPLIANCE WITH SUSTAINABLE FINANCE STRATEGIES

Relative to the Bank's compliance with Sustainable Finance Framework under BSP Circular 1085 issued 20 April 2020, various sustainable finance strategies have been adopted to systematically address environmental and social risk in its daily operation, such as but not limited to the following:

1. paperless office (e.g., regularization of Manuals and other documents via email);
2. power and water conservation;
3. recycling program;
4. greenhouse gas emission reduction, *i.e.*, carpooling or the scheduling of Credit Investigator and Appraiser's fieldwork to reduce the use of the company vehicle; and
5. providing safety environment and social projects, (e.g., tree-planting activity).

The senior management shall see to it that all Bank employees apply these practices in their respective job assignment. Monitoring of compliance with the foregoing sustainability practices shall be prepared on a monthly basis by the Comptroller for the Head Office and Branch Manager for the branches. The copy of monitoring reports is submitted to the Risk Management Officer for evaluation.

In line with this, the regular performance evaluation of the Human Resources Officer on the individual employee's compliance with the Bank's sustainable finance strategies is included among the performance indicators in the Employee Performance Evaluation Form which shall be conducted on an annual basis.

The monitoring report prepared by the Comptroller and Branch Managers shall be used as a basis for the employee's compliance with the sustainable finance strategies, *i.e.*, the monitoring for the office supplies, electricity and water consumption. To assess the compliance, total consumption for latest performance period should be lower down the previous performance period. For this one, evaluation should be done on a per unit or branch basis, *i.e.*, if the branch has noted compliance all members of such branch will be given an additional one (1) point in their Employee Performance Evaluation Form.

STANDARDS OF RATING

The following performance rating shall be used for performance evaluation, to wit:

- ❑ **FOR OFFICERS AND EMPLOYEES, RISK MANAGEMENT OFFICER, AND CONTROL FUNCTIONS**
 - **Exceeds Expectations** – The officer and/or employee has shown exceptional performance and/or has consistently exceeded established standards in most areas of responsibility. All requirements were met, and objectives were achieved above the established standards and unexpected areas.
 - **Meets Expectations** – All job requirements were met, and planned objectives were accomplished within established standards. There were no critical areas where accomplishments were less than planned.

- **Needs Improvement** – The performance of the officer and/or employee in one (1) or more critical areas did not meet expectations. Not all planned objectives were accomplished within the established standards and some responsibilities were not completely met.
- **Unsatisfactory** – The officer and/or employee did not meet the minimum job requirement. His/her performance was unacceptable. Responsibilities were not being met and important objectives have not been accomplished. The officer and/or employee needs immediate improvement.

❑ FOR THE BOARD OF DIRECTORS/ BOARD COMMITTEE/DIRECTOR/PRESIDENT

- **Excellent** – Full compliance has been made or a definite "YES".
- **Good** – Compliance has been made/being observed most of the time.
- **Fair** – Compliance has been made/being observed some of the time.
- **Needs Improvement** – Compliance has not been made/not being observed or simply a "NO".

Scores rated for all types of evaluation are added and averaged to arrive at the overall score and its equivalent performance rating and forms part of each Director's and employee's personnel files, whereas those of the Board of Directors and the Board-level committee are properly filed and maintained for easy reference.

CONFIDENTIALITY OF RATING

The ratings are confidential and shall not be shown to, or discussed with employees other than the one concerned and the employee's immediate supervisor or responsible management officials.

REVIEW, EVALUATION AND CONFIRMATION OF THE RATING

Results of the performance evaluation for Bank officers and employees, control functions as well as members of the Board of Directors shall be properly documented and filed for reference of all information users and for its incorporation and consideration in decision-making process. A database of the evaluation scores shall be tabulated and maintained and reported to the Board of Directors for confirmation. The annual performance evaluation may be conducted at any time during the first quarter of the year, the results of which shall be confirmed by the Board of Directors in its regular meeting for the month of April before the Annual Stockholder's Meeting held every 1st Sunday of May of each year.

FREQUENCY OF APPRAISAL

The Bank's annual performance evaluation for its Board of Directors, Board-level committee, control functions, officers and employees is conducted during the first quarter of the year, and its results shall be approved and confirmed by the Board of Directors, prior to the Bank's Annual Stockholder's Meeting.

A more frequent performance evaluation is made for probationary employees, *i.e.*, at the middle and before the end of his probationary period.

A performance evaluation may be conducted upon written request prior to any promotion/demotion, transfer and/or disciplinary sanctions, as applicable.

Scorecards for contractual employees are conducted annually or prior to the renewal of their Contracts of Service/Professional Service Contract with the Bank.

BANK FORMS

The Bank has developed Bank forms for the purpose, namely:

1. RATING SHEET for the:
 - a. Board of Directors, as a Body;
 - b. Directors, in their individual capacities;
 - c. Audit Committee; and
 - d. President
2. PERFORMANCE EVALUATION FORM for Risk Management Officer
3. PERFORMANCE EVALUATION FORM for Control Functions, namely the Chief Compliance Officer and Chief Internal Auditor
4. EMPLOYEE PERFORMANCE EVALUATION FORM for Bank officers, department heads and rank and file employees
5. PERFORMANCE EVALUATION FORM for Probationary Employees
6. SCORECARDS for contractual employees

RETENTION OF PERFORMANCE EVALUATION DOCUMENTS

The results of the performance evaluation for Directors, officers (including control functions) and employees, both regular and contractual, form part of their individual personnel files, whereas the rating sheets for the Board of Directors and Board-Level Committee are all safely kept in the Office of the Human Resources for a period of ten (10) years counted from the date of their separation from the Bank.

PERFORMANCE INCENTIVE AND REMUNERATION

The Bank, just like any other organization, has goals which success depends on the focus and dedication of its officers and employees. The Bank believes in improving results through employee recognition, based on the simple premise that teams cannot achieve their goals without the active participation of all players on the team. Professionally designed incentive and recognition programs is a tool to align employee behaviors and shape results to meet the Bank's goals, whether they are increased income, improved quality and skills, reduced absenteeism, or better customer service.

These performance incentives may take the form of:

- **Potential and Promotions** – Leadership potentials for supervisory positions and hidden talents and potential abilities are uncovered by a properly developed and administered rating program. Management identifies and selects employees for immediate or future promotion. Caution should however be exercised in differentiating between the performance of the individual on his present job and his potentials for a higher job level; for an employee's ability to perform effectively on one job is not always an assurance of his ability to handle greater responsibilities.

Scorecards for contractual employees are conducted annually or prior to the renewal of their Contracts of Service/Professional Service Contract with the Bank.

BANK FORMS

The Bank has developed Bank forms for the purpose, namely:

1. RATING SHEET for the:
 - a. Board of Directors, as a Body;
 - b. Directors, in their individual capacities;
 - c. Audit Committee; and
 - d. President
2. PERFORMANCE EVALUATION FORM for Risk Management Officer
3. PERFORMANCE EVALUATION FORM for Control Functions, namely the Chief Compliance Officer and Chief Internal Auditor
4. EMPLOYEE PERFORMANCE EVALUATION FORM for Bank officers, department heads and rank and file employees
5. PERFORMANCE EVALUATION FORM for Probationary Employees
6. SCORECARDS for contractual employees

RETENTION OF PERFORMANCE EVALUATION DOCUMENTS

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- **Salary Increases, Bonuses or Allowances** – Excellent ratings serve as a good basis for granting salary increases, bonuses or increase in allowances, within the limits of salary range, as a reward for very satisfactory or exceptional performance.
- **Positive Feedback and Commendation** – We can never underestimate the power of positive feedback and praising someone for a job well done. Giving positive feedback can be a powerful tool to motivate the employees to be more productive and enthusiastic than ever. Enthusiastic employees outperform employees who are not motivated to perform. They rise to challenges and rally each other in tough times.
- **Re-election or re-appointment** for another term for the Directors.
- **Renewal of contract** for contractual employees or service contracts.

RETIREMENT AND SUCCESSION POLICY

RETIREMENT

The management has always upheld its position of giving its Directors and employees not just fair and equitable but also competitive compensation commensurate to their dedicated efforts and loyalty as members of the HBC family. Aware of the inevitability of old age, the management espouses its moral responsibility to help its Directors and employees, who have devoted the best years of their lives in productive work, lead a useful and enjoyable retirement life.

The HBC PENSION FUND: POLICIES AND GUIDELINES aim to document and provide an easy point of reference for all members of the HBC family on all matters pertinent to the retirement benefit generously crafted not just for the employees, but likewise for the members of the Board of Directors.

❑ MANAGEMENT AND ADMINISTRATION

The Bank's retirement scheme consists of setting up a Reserve for Retirement, likewise known as HBC Pension Fund, equivalent to approved retirement reserve percentage of the basic salary of its officers and staff and of the per diems of the Directors, or even more as necessity requires depending on the financial position of the Bank. An annual actuarial and monitoring thereof will be conducted by the Bank's Human Resources Officer to ensure the same is fully funded at all times for the purpose.

Funding of Pension Fund

The HBC Pension Fund should be fully funded, or the corresponding liability appropriately recognized in the books of the Bank at all times. Further, the Board

of Directors shall ensure that all transactions involving the pension fund are conducted at arm's length terms.

The funding of HBC Pension Fund should be regularly monitored, and its valuation updated annually. Whatever actuarial difference that is incurred should be promptly addressed and booked either outright on a cash basis or amortized on a staggered basis as warranted by the Bank's financial position subject to the approval of the Board of Directors in such amount that will completely bridge the gap and ensure the HBC Pension Fund is fully funded for the purpose.

Benefits

➤ Voluntary Separation Benefits

An employee or Director who voluntarily resigns or separates from the company shall be entitled to receive his/her accrued retirement benefits in accordance with the following vesting schedule:

Years of Service	Percentage
Less than 5 years	NIL
5 years to 10 years	50% of Final Monthly Salary x Years of Service
More than 10 years to 20 years	75% of Final Monthly Salary x Years of Service
More than 20 years of continued service	150% of Final Monthly Salary x Years of Service

An employee shall forfeit any vested benefit he has acquired in the event of termination of employment for a just cause.

This provision, however, may be superseded by a decision of the majority of the Board of Directors, who may choose to grant the employee his/her separation benefits despite having been terminated for a just cause.

➤ **Involuntary Separation Benefits**

If an employee is terminated involuntarily for reasons such as company policy or reduction of force, separation in cases of merger, acquisition, ill health, or for any other reasons beyond his/her control other than those mentioned, he/she shall be entitled to receive his/her accrued retirement benefits in the amount equal to the following percentage, to wit:

No. of Years of Continued Service	Percentage
5 to 10 years	75% of Final Monthly Salary x Years of Service
Over 10 years to 20 years	100% of Final Monthly Salary x Years of Service
More than 20 years	150% of Final Monthly Salary x Years of Service

➤ **Retirement Benefits**

An employee or Director will receive upon retirement an amount equal to the following percentage, to wit:

No. of Years of Continued Service	Percentage
Over 10 to 20 years	100% of Final Monthly Salary x Years of Service
More than 20 years	150% of Final Monthly Salary x Years of Service

Note: For Directors, the percentage is based on their final monthly per diem multiplied by the years of service.

CONDITIONS:

RETIREMENT AGE:

- **Normal Retirement** – the normal compulsory retirement age shall be sixty (60) years old.
- **Early Retirement** – an employee may have the option to retire on the first day of any month following his/her 50th birthday, provided he/she has then rendered at least ten (10) years of continuous active service to the Bank.
- **Extension of Service Beyond Normal Retirement Age** – Upon reaching the normal compulsory retirement age, the management may exercise the prerogative of extending an employee’s service upon mutual agreement of the Bank and employee subject to the approval of the Board of Directors. Such offer of extending employment beyond the normal retirement age of sixty (60) is hinged on either of the following reasons, namely:
 - The employee has a wealth of experience that is valuable to the Bank.

- Despite his/her age, the employee has the capability and physical fitness to continue his/her service to the benefit of the Bank.
- The employee is willing to extend his/her employment and continue performing his/her duties and responsibilities.
- Higher-level positions tend to be more difficult to fill. Retention of most skilled and experienced employees may help to pass on skills and knowledge and mentor other staff.

An employee on service extension shall be entitled to salaries, allowances, and other remuneration that he/she already enjoys. However, SSS, PhilHealth and Pag-IBIG employer contribution, as well as retirement reserve shall no longer be provided for him/her. The employee shall undertake to make arrangements for personal over-the-counter payments to ensure his/her SSS, PhilHealth and Pag-IBIG accounts are updated and he/she will not incur any default.

Upon reaching the normal retirement age of sixty (60), the retirement benefits of an employee shall be released. The Bank shall then cease from providing a reserve for his/her retirement once he/she reaches said normal retirement age. This applies despite the employee’s extension of service beyond the normal retirement age. All such release of retirement benefits shall be covered by a Deed of Release, Waiver and Quitclaim for Release of Retirement Benefits.

For Directors, the retirement age is not strictly observed nor applicable, for they can remain to be in office and serve as such for as long as they are fit and able to perform their duties and responsibilities as Directors.

Independent Directors may only serve as such for a cumulative term of nine (9) years. After which, they shall be perpetually barred from serving as such, though they may continue to serve as regular Directors. The nine-year maximum cumulative term for Independent Directors shall be reckoned from 2012 (Section 132 of the MORB).

Thus, when a Director decides to resign from being as such, such separation shall be considered as retirement for which retirement benefits shall be accordingly applied depending on the number of years he/she has served as a member of the Board.

➤ **Other Benefits Upon Retirement/Separation**

The retirement benefits under Republic Act No. 7641 are exclusive of those granted by the Social Security System.

Upon resignation, optional or compulsory retirement, the employee is likewise entitled, under the law, to the proportionate 13th Month Pay (Presidential Decree No. 851) for the calendar year and to the cash equivalent of unused accrued leave benefits, if any. Directors, on the other hand, shall be entitled to 13th Month Pay, but without service incentive leave benefits.

SUCCESSION PLANNING

❑ POLICY

The management has always been conservative, judicious and prudent in managing the business affairs of the Bank, always taking into big consideration the pros and cons of each decision, the risk of each investment and the consequences of each choice. It is the policy of the Bank to render continuous and uninterrupted quality service to its clientele at all times. Therefore, a Business Continuity Plan primarily focused on the identification of potential risk exposure and corresponding plan of actions to mitigate such risks towards restoration and continuation of business functions of the Bank has been conceived and adopted in line with the Bank's main objective of ensuring that there will be minimal disruption of bank operations, minimized financial losses through lost business opportunities or asset deterioration and a timely resumption of normal operations.

Where human resources are concerned, there are equally adequate contingency measures in place to ensure business continuity and succession in leadership.

❑ STRATEGIES

- ❖ For members of the Board, the members had reached the consensus of identifying their respective successors who will be prepared for the duties and responsibilities of being a member of the Board. Such preparation includes, but not limited to, attending the mandatory Corporate Governance & Risk Management Course, as well as conducting the fit and proper screening mandated by the Bangko Sentral ng Pilipinas.
- ❖ In the senior management level, leadership and management of the Bank is gradually being turned-over to the younger generation for continuity and succession.
- ❖ In the middle management level, an assistant and/or understudy for key officer positions who do not merely assists but who are trained to take the place of the officer concerned in cases of unforeseen pressing situations are provided and in place.
- ❖ Continuous education of both Bank officers and personnel to equip them with the skills to cope and manage the emerging trends and growing demands of banking.
- ❖ Instilling the value of responsibility and encouraging coordination among the Bank's officers and personnel to ensure that taking their respective leaves of absence wouldn't affect or hinder the Bank's day-to-day operations.

❑ IDENTIFIED SUCCESSORS:

BOARD OF DIRECTORS & KEY OFFICER POSITIONS IDENTIFIED AS CRITICAL	INCUMBENT DIRECTOR/OFFICER	IDENTIFIED SUCCESSOR
Chairperson of the Board	Loreto D.J. Guballa	Ma. Anna D. Bautista
Members of the Board:	Patria H. Perez	Marinel M. Barles
	Angelica Halili Cruz	Maria Angelica C. Vito
	Juanita L. Cruz	Ma. Cristina C. Morales
	Ma. Josefa A. Halili	Jocelyn Anne H. Trajano
	Azucena P. Mangubat	Marjorie M. De Jesus
	Teresita B. Halili	Ma. Anna D. Bautista
President	Patria H. Perez	Maria Angelica C. Vito Marjorie M. De Jesus
V.P./Chief Compliance Officer	Arnel Y. Gravador	Abbygail D. Pastorpide Jenelyn M. De Guzman
V.P./General Manager	Crisanto P. Policarpio, Jr.	Arnel Y. Gravador
Treasurer	Gerardo M. De Leon	Nora V. Contreras
Corporate Secretary	Eleanor C. Mendoza	Joanne B. De Leon
Chief Internal Auditor	Joanne B. De Leon	Peachy Velle L. Sanchez
Risk Management Officer	Jenelyn M. De Guzman	Gerry Lou V. Hernandez
Comptroller	Peachy Velle L. Sanchez	Christine Joy Mendoza
Chief Security Officer	Manuel D.V. Eranes	Ronald S. Flores
Loan Officer	Abbygail D. Pastorpide	Laarni N. Domingo
Head Cashier	Nora V. Contreras	Michelle P. Medios
Human Resources Officer	Gerry Lou V. Hernandez	Mary Ane D.C. Amador
Branch Manager – New Market Site Branch	Raymond Christian H. Geronimo	Hanz Joseph F. Mendoza
Branch Manager – Malolos Branch	Allan Joseph F. Mendoza	Joriel Lyka G. Caylao
Branch Manager – Norzagaray Branch	Veronica C. Bernabe	Janice D.S. San Pedro
Branch Manager – San Jose Del Monte Branch	Sienalyn R. Cleto	Jhoanna Lissa F. Policarpio

Note: This Succession Plan is subject to review and foregoing identified key positions and their identified successors **may be changed where availability of the identified successor is not feasible due to valid and justifiable reasons**. The change in identified successor shall be subject to the deliberation and approval of the Board of Directors.

❑ SPECIFIC QUALIFICATIONS OF THE IDENTIFIED SUCCESSORS

The identified successors of the members of the Board have been made based on the following criteria of selection, to wit:

- He must be **FIT & PROPER** for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: **integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job,**

such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities. In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies. (Manual of Regulations for Banks)

- Be at least thirty (30) years of age
- Be a college graduate preferably of a business or finance related course
- Possess all the qualifications and none of the disqualifications provided for under Secs. 132 and 138, respectively
- Willingness and availability to attend trainings and seminars that will be given to prepare them as successors

As part of training gap analysis, the identified successors of the Board of Directors shall be given adequate training comprised by the following:

- Will be subject to the required screening by the Bangko Sentral ng Pilipinas.
- Shall attend a seminar on corporate governance for board of directors.
- Will be given trainings on AMLA and other corporate governance related matters.
- Will be given the same continuous education for the incumbent members of the Board of Directors.

On the other hand, the senior officers have been chosen based on the following factors:

- Credentials and qualifications for the said position
- Training and acquired skills
- Sense of responsibility and work values
- Exposure/ working knowledge on the requirements of the position. 90% of all development occurs on the job. Hence, the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens effective communication lines.
- Length of service, loyalty, and dedication to the Bank

Realizing the potential of individuals by grooming them for the future while, at the same time, getting the daily work done is indeed the biggest challenge facing the management of today.

Attached to this Policies on Succession Planning is a SUCCESSION MATRIX that highlights therein the specific qualifications of the identified successors as presented as well as the justifications for their selection as such.

□ ASSESSMENT ON THE READINESS OF THE IDENTIFIED SUCCESSORS

In identifying successors, they will be referred to as "high, medium or low readiness" based on the assessment of their capabilities (skills, experience, potential), work ethics, as well as availability. Such indicators are defined as follows:

- HIGH READINESS – where the assessed skills, experience and potential of the employee show that: (1) he/she is ready for the position being considered at present or whenever the need for him/her to take over becomes present; and (2) only training for updates is required.
- MEDIUM READINESS – where the assessed skills, experience and potential of the employee show that: (1) he/she is ready for the position being considered in the next one [1] to two [2] years; and (2) he/she would need further training to prepare him/her for the position.
- LOW READINESS – where the assessed skills, experience and potential of the employee show that: (1) he/she is ready for the position being considered in the next three [3] to five [5] years, but whose intelligence, aptitude and work values shows a lot of potential; and (2) he/she still needs considerable training and years of experience for the proposed position.

An assessment on the readiness of the identified successors is conducted by the Office of the Human Resources following the procedures hereunder:

1. The Office of the Human Resources shall conduct an annual review of the Bank's Succession Matrix and make the necessary changes thereto resulting from employee turn-over or changes/updates in the accompanying succession development plan. Should there be no changes in the identified successor, the Succession Matrix need not be updated.
 - a. The Office of the Human Resources shall revisit the readiness of each identified successor depending on their performance evaluation for the past year.
 - b. The Office of the Human Resources shall make the necessary recommendations for training of the identified successor, and shall act upon them either by providing in-house training modules or sending them to external trainings available for the year.
 - c. The review of the Succession Matrix shall likewise include the inclusion of new successors or deletion of existing successors based on justifications as applicable.
2. The updated Succession Matrix shall form part of the Succession Planning for the current year that will be prepared and presented to the

Board of Directors for approval.

❑ **ASSESSMENT OF POSSIBLE GAPS IN THE QUALIFICATIONS OF THE IDENTIFIED SUCCESSORS**

When possible gaps in the qualifications of the identified successor are present, the Human Resources Officer may submit the recommendations for the specific training necessary to ensure that such gaps are addressed. Where such possible gaps are proven to be inherent and cannot be changed or enhanced, such as but not limited to work attitude or limitations set by the employee himself, then such will be treated as a ground for disqualification as an identified successor and a search for a new successor shall ensue.

The Office of the Human Resources will assess the presence of such possible gaps through the following procedures:

1. Conduct a personal interview of the identified successor and get his/her personal view on being such. His/her enthusiasm or reluctance, willingness or hesitation, personal plans and visions, and cooperation or lack of interest are all indicators of future success or problem in the intended succession.
2. Assess if his/her readiness for the position is improving by engaging him/her on an intellectual discussion of matters pertinent to the higher position he/she is being considered for and gauge how he/she would handle the scenario. His/her response will reflect his/her readiness or lack thereof.
3. Review his/her personnel file, assess if his/her training/s contribute to his/her actual performance and look for marked improvement, if not excellence. Lack of improvement will prove that the identified gap is not being addressed satisfactorily.
4. Where such possible gaps may prove to be manageable, the Office of the Human Resources shall make the necessary recommendations to the Board of Directors to provide the employee the training he/she needs.

ORIENTATION AND EDUCATION PROGRAM

The management believes that employee development is tantamount to the growth and success of a company. More knowledgeable, skilled, and capable employees directly affect the Bank's ability to satisfy customers, resolve problems and crises and adapt to changing market conditions. Paying for an employee's continuing professional education can help the Bank achieve full compliance with fiscal and industry regulations as well as gain expertise in new technologies and emerging market trends, which can save money in the long run. In addition, most employees find learning new skills and taking on new challenges extremely rewarding. Satisfied employees have a more positive attitude, they work harder, and they stay with a company longer than those, who are not given opportunities to grow.

❑ **POLICY**

The Bank recognizes the importance and need for systematic and sustained training and development. Bank-wide training programs are regularly conducted to cultivate and hone employee capabilities. In this manner we intend to maintain and improve our present operational standards of excellence. The Office of the Human Resources continually assesses the requirements of all our personnel and seek to encourage their advancement through in-house or external training programs, workshops, and seminars.

The Bank's Office of the Human Resources endeavors to foster an atmosphere of growth by:

- conducting on-the-job-training geared to help employees attain acceptable proficiency levels;
- instilling and promoting competency – defined as a set of Knowledge, Skills and Attitude (K, S, A) – needed to perform work activities within acceptable benchmarks;
- aiming for consistency and alignment between work performance and standards expected in the workplace; and
- implementing a formal and competency-based Training and Human Resources Development Program, primarily consisting of training and seminars, both in-house and industry-related seminars and workshops.

❑ **SEMINARS AND TRAININGS**

The management is committed towards providing continuous education and skills development for its officers and staff. On recommendation of either the Bank's Human Resources Officer or his immediate supervisor, an officer or employee may take time off from regularly assigned duties to participate in seminars and trainings, which can particularly enhance his/her efficiency and job performance and/or prepare him/her for the position for which he/she has been eyed to succeed in the event of employee turn-over. In this regard, the Training Officer keeps an eye on seminars and trainings being espoused and offered by any of the following:

- CTB
- BAIPHIL
- BAP
- De La Salle University Professional Schools, Inc. Graduate School of Business
- Ateneo Center for Continuing Education
- Ateneo-BAP Institute for Banking

The Bank also conducts annual refresher courses and in-house trainings for its employees and issues policy and inter-office memoranda, which updates and educates them on emerging industry trends and new regulations that affect their respective jobs.



As part of the Bank’s continuing education, members of the Board of Directors, Senior Management and other Bank employees attended the following in-house and external training activities in year 2025:

Title	Date	Sponsor	Attendees
CreditInfo101: “Understanding the Importance of Credit Information”	Jan. 31, 2025	Credit Information Corporation	Bank Officers Bank Employees
BSP-CTB AML Webinar on Institutional Risk Assessment and Ultimate Beneficial Ownership	Feb. 26, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers Bank Employees
Earthquake and Fire Drill	Mar. 20, 2025	Hiyas Banking Corporation	Bank Officers Bank Employees
2025 ABCOMP Annual Membership Meeting and Election of Board of Trustees for FY 2025-2026	Mar. 28, 2025	Association of Bank Compliance Officers of the Philippines	Bank Officer Bank Employees
CIC: USAPANGLOAN: What Every Filipino Needs to know about Pag-IBIG Fund Loan Programs and Credit Information	May 23, 2025	Credit Information Corporation	Bank Employees

Title	Date	Sponsor	Attendees
BSP-CTB Webinar on Sustainable Finance Framework (SSF) and Environmental and Social Risk Management (ESRM) for Thrift Banks	June 17 & 18, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Independent Director Bank Officers
CIC: Pinoy Savings Hack: Tips and Tricks for Financial Success	June 20, 2025	Credit Information Corporation	Bank Employees
CIC: Your Privacy Matters: Credit Registry and Your Right to Privacy	June 30, 2025	Credit Information Corporation	Bank Employees
Basic Course in Corporate Governance	July 7, 2025	Bankers Institute of the Philippines	Independent Director – Angelina S. Domingo
CTB 2025 Convention: Thrift Banks 2025: Resilience in Hybrid Banking	July 15, 2025	Chamber of Thrift Banks	BOD Member Bank Officers
CIC: #CreditForBusiness: The Importance of CIC Credit Report and Business Loans	July 25, 2025	Credit Information Corporation	Bank Employees
BSP FORUM ON NATIONAL ID: Building Trust and Synergy in Digital Identity for an Inclusive and Secure Financial System	July 28, 2025	Bangko Sentral ng Pilipinas	Bank Officer
BSP-CTB Webinar on Sustainable Finance Framework (SSF) and Environmental and Social Risk Management (ESRM) for Thrift Banks (Module 2)	Aug. 6, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Independent Director Bank Officers
BSP-CTB Webinar on Sustainable Finance Framework (SFF) and Environmental and Social Risk Management (ESRM) for Thrift Banks Module 3	Aug. 20, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Independent Director Bank Officers
Credit Information System Act (CISA) Orientation	Aug. 29, 2025	Credit Information Corporation	Bank Employees
2 nd ABCOMP Online General Membership Meeting & Webinar	Sep. 4, 2025	Association of Bank Compliance Officers of the Philippines	Bank Officers
BSP-CTB Webinar on Building Digital Trust Through HASH in the Era of Digital Identity (focus on IT Audit)	Sep. 12, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers IT Technical Support
CTB General Membership Meeting	Sep. 16, 2025	Chamber of Thrift Banks	Bank Employees
CIC Academy Episode 9: What Your Credit Score Says About You	Sep. 19, 2025	Credit Information Corporation	Bank Employees
Enhanced Cloud-Based Electronic Documentary Stamp Tax (eDST) System (walkthrough)	Sep. 23, 2025	Bureau of Internal Revenue	Bank Officer Bank Employee

Title	Date	Sponsor	Attendees
BSP-CTB Webinar on: Digital Transformation/ Cybersecurity for Thrift Banks	Sep. 24, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers
#OLAbout Debt Click, Borrow, Repeat: Understanding the Risks and Rewards of Online Lending	Sep. 26, 2025	Credit Information Corporation	Bank Employees
BSP-CTB Invitation to the Blended Finance Forum for the Philippines	Oct. 15 & 16, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Independent Directors Bank Officer
Earthquake Safety Training and Drill	Oct. 20, 2025	Municipal Disaster Risk Reduction and Management Office – Santa Maria	Bank Officers Bank Employees
Hands on Workshop on the Bank Consumer Complaints Report – A Reporting Requirement under Memorandum to All Banks No. 2025-009	Oct. 22 & 23, 2025	Bangko Sentral ng Pilipinas	Bank Officer Bank Employees
BSP-CTB Webinar on Operational Resilience	Oct. 23, 2025	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers
Data Privacy Coordination Group Launch Training	Nov. 5 & 6, 2025	Bangko Sentral ng Pilipinas	Bank Officers Bank Employees
Credit Risk Database Briefing	Nov. 20, 2025	Bangko Sentral ng Pilipinas	Bank Officers
Online briefing on the Revised Bank’s Consolidated Complaints Report (BCCR), reporting requirement under Memorandum No. M-2025-009.	Nov. 26, 2025	Bangko Sentral ng Pilipinas	Bank Officers Bank Employee
Strengthening Access to Finance for Clean Energy for MSMEs in the Philippines	Nov. 26, 2025	Bangko Sentral ng Pilipinas	Bank Officers Bank Employees
CIC Academy: Understanding Credit: How Credit Report and Score Shape Your Future	Nov. 28, 2025	Credit Information Corporation	Bank Employees
CTB Christmas Party cum General Membership Meeting	Dec. 4, 2025	Chamber of Thrift Banks	BOD Members

❑ AFFILIATION AND MEMBERSHIP

The Bank officers and employees are encouraged to actively participate and become members particularly of industry related organizations such as, but not limited to:

- CTB
- Malolos Bankers Association

❑ TRAINING ALLOWANCE

The Bank shoulders the registration fee for seminars and training and provides a daily training allowance currently pegged at Five Hundred (PhP500.00) Pesos to cover the transportation and other expenses that may be incurred by the participating employee relative thereto. The amount of travelling allowance may be changed/ increased/reduced at the option of the management when circumstances so warrant.

In cases where the training delegates secure the services of the Bank’s transportation vehicles, the employee who acted as chauffeur shall also receive the training allowance of Five Hundred (PhP500.00) Pesos per day on top of gasoline expenses, toll fees and parking fees incurred, which are subject to reimbursement upon presentation of sales invoices.

REMUNERATION POLICY

❑ COMPENSATION PHILOSOPHY

The Bank seeks to establish and maintain a system of compensation and benefits that, with reasonable availability of resources, is comparable with the total compensation package of employees in the thrift banking industry, and belonging to the same category as employee discharging responsibilities and services similar to those being performed by the Bank employees.

A competitive pay policy articulates the Bank’s strategy for competing within targeted labor markets to recruit the employees it needs in order to achieve business success. Such policy guides the management in making effective decisions regarding the Bank’s investment in human capital assets.

Pay is a critical factor in the work lives of employees. Jobs are accepted or rejected based in part on the starting salary and the opportunity for future increases in pay. Employees compare their pay to those of others in the same line of work. They constantly compare their pay level to their level of contribution, trying to determine whether the ratio of give and receive is a fair one. Higher pay encourages quality performance as well as fosters better work engagement. It can improve retention, employees' commitment and loyalty to the company and their willingness to refer friends and family to the Bank thereby soliciting more business and becoming real team players. While it may not be openly discussed, employees think about pay often. Since it is particularly important to employees, the issue of pay deserves to be clearly addressed.

❑ KEY COMPENSATION COMPONENTS

Compensation has become a far more complicated issue than just deciding how much to pay the employees. In addition to the salary, employers must consider many other components – retirement plan, fringe benefit, bonuses, and vacation – that have become part of compensation packages today.

The Bank's compensation package consists of the following:

Salary and Allowances. These are the largest component of a compensation package and, not surprisingly, the most common point of comparison used by employees and potential employees. Salary should be tied to an employee's skills and experience. Subsequent increases, on the other hand, need to be based on an employee's performance, value, and contribution to the Bank's achievement of its goals and vision.

The Office of the Human Resources shall exert best efforts to check salary surveys and want ads and scout out competitors to see if they are underpaying or overpaying their staff. Paying too much is an unnecessary drain on the Bank's resources, but paying too little will make it difficult to find and keep the best people.

Bonuses. Employee bonuses are one way of providing performance incentives and effectively rewarding and compensating employees for meeting their goals.

Retirement Plan. The HBC Pension Fund is fully funded and regularly monitored with its valuation updated annually.

Service Incentive Leave. This includes holidays, vacations, sick/emergency, and birthday leaves, among others. Each employee has thirty (30) days of service incentive leave which may be used for vacation, sickness, and emergency leaves, which unused portion is converted to cash at the end of the calendar year.

Fringe Benefit Program. The Bank has designed this program to extend assistance to its employees in meeting their financial needs.

❑ REVIEW OF COMPENSATION PACKAGE

OBJECTIVE:

The Bank recognizes that the market pay levels typically increase over time because competing employers deliver salary raises to reward the performance of employees and to maintain the competitiveness of their pay levels.

The objective of this policy is thus to maintain the competitiveness of the Bank's compensation packages. Through the Office of the Human Resources, it shall review the employees' pay and performance annually to calibrate company pay

practices with competitive pay levels.

PAYMENT FACTORS USED FOR PAY DETERMINATION PURPOSES

Most companies have a pay policy that starts all new employees at the minimum of the pay range. While this may be appropriate for inexperienced candidates, the minimum is generally below market value for experienced people. Thus, it has been the Bank's policy to establish pay practices that reflect the employee's capabilities. The employee's skills and competencies are evaluated through the interview/reference and background checks and/or through the annual performance evaluation process for current employees.

These fourteen factors are considered by managers for determining and justifying pay actions:

- **BUSINESS NEED** – The Bank's need for the employee's services when evaluated may range from optional to critical and plays an important factor in determining his/her salary.
- **BUDGET IMPLICATIONS** – Budget implications consider the short and long-term financial consequences of pay decisions.
- **COMPETITIVE SALARY OFFER** – This allows the management to counter a higher salary offered by another firm or company to an employee deemed critical to the Bank.
- **CURRENT SALARY** – Current salary is the candidate or incumbent's present base pay compensation, which does not include shift differentials, temporary pay, benefits, overtime pay, incentive premiums, bonuses, commissions, or other similar non-base pay compensation.
- **DUTIES AND RESPONSIBILITIES** – Duties and responsibilities describe the primary and essential work functions performed by an employee or group of employees. Variation in duties and responsibilities helps distinguish one employee from another and determine the appropriate salary and/or benefits.
- **INTERNAL SALARY ALIGNMENT** – Internal salary alignment is a fairness criterion that takes into consideration the proximity of one employee's salary to the salaries of others, who have comparable levels of training and experience, duties and responsibilities, performance, as well as knowledge, skills, abilities, and competencies.
- **KNOWLEDGE, SKILLS, ABILITIES AND COMPETENCIES** – Knowledge refers to acquired principles and practices related to a particular job, Skills refer to acquired psychomotor behaviors. On the other hand, abilities are the talents, observable behaviors or acquired dexterity. Competencies are behaviors, knowledge and skills that directly and positively impact the success of the employee. Together, they are the elements listed for job requirements, hiring qualifications or employee credentials. Additionally, they are job evaluation consideration for the Compensable Factor, Complexity of Work, and the application of acquired KSA's are essential to the In-Band Adjustment (Professional and Skill Development) pay practice.

- **LONG-TERM IMPACT** – Long-term impact, which includes, but is not limited to the strategic and financial effect of anticipated future salary costs, staffing changes, salary alignment among employees, career growth and salary reference data changes, are considered in determining that appropriate and reasonable salary/benefits.
- **MARKET AVAILABILITY** – Market availability is the relative availability of suitable, qualified candidates in the general labor market that is subject to the changes in supply and demand.
- **SALARY REFERENCE DATA** – Salary surveys and advertisements, as well as prevailing compensation trends in the industry greatly affects, if not dictates, the employee’s market value.
- **TOTAL COMPENSATION** – The total compensation package balances the market range of pay with the annual incentives and non-financial rewards of being an employee of the Bank.
- **WORK EXPERIENCE AND EDUCATION** – Work experience and education are the relevant employment history and academic qualifications of the employee or applicant.
- **PERFORMANCE** – Performance considers previous and/or current work accomplishments or outcomes and behavioral inter-actions that are assessed as part of the performance management program. All management-initiated salary increases are normally given to employees performing satisfactorily or more than satisfactorily.

❑ CONSIDERATIONS FOR PERFORMANCE MANAGEMENT AND IN DEVELOPING A VARIABLE PAY PROGRAM

Employee capability is not the same thing as performance. Someone who is not yet successful in fulfilling his job may still be learning some of the basic skills, especially after a promotion. Yet, the employee’s performance may exceed the manager’s expectations. As employees become successful in fulfilling their job, the management believes their efforts should be compensated. Otherwise, their pay will stagnate, and they may become unmotivated or seek employment from competitors for recognition and rewards.

Variable pay refers to the compensation that is received by employees of the Bank in addition to the base pay. Its calculation is based on the criterion that employees, who perform better should receive more compensation. Variable pay compensation aligns pay with strategic results in the organization.

It is, thus, a result-oriented compensation system and, therefore, facilitates in enhancing organizational productivity.

❑ SENIOR EXECUTIVE COMPENSATION

Finding senior executives capable of motivating people, communicating a vision, and leading a company to the top can be challenging. With concerned investors and stakeholders closely monitoring company performance, businesses are under enormous pressure to retain qualified executives once they hire them. To

keep the momentum going, it is crucial to secure top talent at the executive level. This means the need for flexibility in considering the compensation packages the competitors offer. Since candidates know they can command a high salary, extra incentives can make the difference in an executive’s decision to join or stay in a company.

Thus, the Bank upholds its long-standing history of linking senior executive compensation with long-term business objectives in its goal of attracting, retaining, and motivating those executives who can advance the Bank’s strategies and drive it into marketplace success and industry leadership.

REMUNERATION STRUCTURE

NAME	2025			
	POSITION	SALARY	BONUSES	FEES & OTHER COMPENSATION
Patria H. Perez	President			
Arnel Y. Gravador	V.P./Chief Compliance Officer			
Eleanor C. Mendoza	Corporate Secretary			
Gerardo M. De Leon	Treasurer			
Joanne B. De Leon	Chief Internal Auditor			
Peachy Velle L. Sanchez	Comptroller			
Jenelyn M. De Guzman	Risk Management Officer			
Crisanto P. Policarpio, Jr.	V.P./General Manager			
Manuel D.V. Eranes	Chief Security Officer			
All Above Named Officers as a Group		6,099,503.15	1,274,379.58	0.00
All Directors				882,680.00

❑ OVERSIGHT FUNCTION OF THE BOARD OF DIRECTORS

To promote the maintenance of competitive salary levels and avoid lopsidedness, an annual review of the salary structure hand-in-hand with performance evaluation shall be conducted by the Bank’s Office of the Human Resources. All recommendations for whatever changes or adjustments in the structure, as appropriate, shall be submitted for final review and approval of the President and confirmation of the Board of Directors.

The Board of Directors, in determining and setting the Bank’s compensation structure, adheres to the limitations set forth by Sec. 135 of the MORB, Remuneration and Other Incentives.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Bank adheres to the policy of Sec. 136 of the Manual of Regulations for Banks (MORB) which recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, related party transactions are generally allowed provided that these are done on an arm's length basis. It is the Bank's commitment to exercise appropriate oversight and implement effective control systems to ensure that such exposures are properly managed, monitored and controlled so as not to lead to abuses that are prejudicial and detrimental to the Bank and all its stakeholders.

□ HBC POLICIES ON RELATED PARTY TRANSACTIONS

a. DEFINITION OF RELATED PARTIES

These guidelines clearly define "related parties" and shall require the establishment of a database that will identify persons and companies that are considered the Bank's related parties over whom the Bank exerts direct/indirect control or vice-versa along with the close family members of the Bank's DOSRI within the second degree of consanguinity or affinity, legitimate or common-law. The said inventory shall be established on a per branch basis with a consolidated database at the Head Office periodically reviewed and updated by the General/ Branch Manager on a monthly basis to capture organizational and structural changes in the Bank and its related parties. It should be noted that unrelated parties may subsequently become a related party.

The subject consolidated database shall be regularized on a semi-annual basis or more frequently whenever changes or updates have been captured to ensure that all HBC units have an updated copy thereof for their easy and accurate reference.

b. COVERAGE OF RELATED PARTY TRANSACTION POLICY

The coverage of the RPT policy shall capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the Bank and its stakeholders.

These RPT includes, but are not limited to the following:

- All kinds of regular loan transactions to related parties
- All kinds of contracts and service agreements entered into by the Bank with related parties
- Lease or sale of Bank's ROPA to related parties

- Fees and commissions paid to related parties
- Depository banks whose DOSRI is a related party
- Interlocking director relationship of the Board of Directors
- All other kinds of transactions deemed to be covered by the definition related party transactions entered into by the Bank with a party who falls under the definition of being a related party

Transactions that were entered into with an unrelated party who subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the policy. The prospective treatment should, however, be without prejudice to supervisory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

c. GUIDELINES IN ENSURING ARM'S LENGTH TERMS

RPTs shall be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. To serve as guidance for an effective price discovery mechanism that will ensure that transactions are engaged into at terms that promote the best interest of the Bank and stakeholders, the Bank shall avail of such mechanism that includes, but not limited to, acquiring the services of an external expert (e.g., independent appraiser), opening the transaction to a bidding process (purchase contracts and services) and publication of available property for sale (for ROPA).

The Loan Processing Officer and New Accounts Clerk for the Head Office and the Branch Managers for their respective units shall be required to review their respective transactions with related parties, ensuring that the terms and conditions of every transaction is conducted in an arm's length basis and that any special rates and terms given to related parties have prior approval of the Board of Directors.

d. CONFLICT OF INTEREST

The Bank does not tolerate those who place their interest above that of the institution, its clients and business partners. Policies that prohibit directors, officers and employees from using their position of authority or rank to

directly or indirectly derive personal gain or advantage are in place. Employees are enjoined to exercise utmost discretion, prudence and mature judgment in the discharge of their duties to avoid perceived or factual conflict of interest situations. The Bank's **Code of Conduct** provides policies on conflict-of-interest situations such as, but not limited to:

- Receiving gifts from third parties.
- Confidentiality and use of non-public information.
- Use of company funds, assets and information.

In order to provide for the identification and prevention or management of potential or actual conflicts of interest which may arise, the members of the Board, stockholders and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

e. MATERIALITY THRESHOLDS AND EXCLUDED TRANSACTIONS

Materiality threshold for RPTs is set at a level where omission or misstatement of the transaction could pose significant risk to the Bank and could influence the economic decisions of its Board of Directors. Materiality threshold may be set for each type of transaction and for each related party group, depending on the nature of the transaction and risks involved. The materiality threshold is set as follows:

- LOAN TRANSACTIONS 1 M
- LEASE OR SALE OF ROPA 1 M
- CONTRACTS & SERVICE AGREEMENTS 1 M
- FEES AND COMMISSIONS 1 M
- DEPOSITORY BANKS REGARDLESS OF AMOUNT

Materiality threshold has been set based on the percentage of related party transaction that comprises the average transaction with transaction amount of P 1 million and above as of June 30, 2021, *i.e.*, 92.11% of the total average transaction for the period. Considering the 92.11% percentage of related party with transaction amount of P 1 million and above, the Board of Directors has reached the consensus of setting the materiality threshold for transaction with related party to P 1 million and may be appropriately changed, upon thorough review and due approval of the Board of Directors. The reporting of related party transaction shall be based on a single transaction basis and transaction involving loans, lease or sale of ROPA, contracts and service agreements, fees and commissions and depository banks shall be subject to prior approval of the Board of Directors. Whereas transaction concerning deposit operations shall only require Board confirmation, provided the same are transacted in arm's length terms. Otherwise, special terms, if any, shall

likewise be subject to prior approval of the Board of Directors.

Moreover, when the outstanding balance of the previously reported single transaction already falls below the materiality threshold the same shall no longer be included in the Report on Material Related Party Transaction submitted to BSP on a quarterly basis.

TRANSACTIONS EXCLUDED FROM MATERIALITY THRESHOLD:

- TRANSACTIONS CONCERNING DEPOSIT OPERATIONS
- LOANS UNDER BSP-APPROVED FRINGE BENEFIT PROGRAM

JUSTIFICATION:

These transactions are excluded from materiality threshold in view of the fact that:

- Transactions concerning deposit operations are excluded from the reportorial requirement of BSP.
- The interest rate, terms and conditions of the Fringe Benefit Program is uniform, consistent and not subject to special rates; notwithstanding the fact that it has been duly approved by the Bangko Sentral ng Pilipinas.

Both of these materiality thresholds and excluded transactions may be reduced, increased or amended if the Bangko Sentral ng Pilipinas deems that the threshold or exclusion is inappropriate considering the Bank's size, risk profile and risk management system.

f. INTERNAL LIMITS FOR INDIVIDUAL AND AGGREGATE EXPOSURES

To ensure that RPTs are within prudent levels, in addition to existing prudential limits which shall be complied at all times, internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties consistent with the Bank's risk appetite, risk profile and capital strength are set as follows:

INTERNAL LIMITS:

- INDIVIDUAL EXPOSURE TO A RELATED PARTY = 5% OF TOTAL CAPITAL
- AGGREGATE EXPOSURE TO A RELATED PARTY = 10% OF TOTAL CAPITAL
- AGGREGATE EXPOSURES TO ALL RELATED PARTIES = 20% OF TOTAL CAPITAL

COVERAGE:

- LOAN TRANSACTIONS
- LEASE OR SALE OF ROPA
- CONTRACTS & SERVICE AGREEMENTS
- FEES AND COMMISSIONS
- DEPOSITORY BANKS

These internal set limits shall be tied in with the Bank's internal definition of capital. Breaches in limits shall be reported to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of the meetings.

g. POLICY ON THE AGGREGATION OF THE TOTAL AMOUNT OF TRANSACTIONS

Aggregation of amount of transaction is the process of collectively assessing and combining the loan, SCR, and other included/covered transactions of a single related party. For monitoring purposes, report on aggregation of amount is included in the monthly Inventory of Related Party Transactions.

The following procedures apply to aggregation of total amount of transactions of a single related party, to wit:

- The General/Branch Managers shall prepare the report of Inventory of Related Party Transactions and submit the same to the Bank's Comptroller on a monthly basis.
- The Comptroller shall then consolidate all the submitted reports of Inventory of Related Party Transactions, aggregating therein the amount of transactions to a single person. The aggregated amount of exposure to a related party is maintained for monitoring purposes only. Therefore, even if the aggregate amount of transactions of a related party falls within or exceeds the materiality threshold of 1 Million, the same will not be included in the Report of Material Related Party Transaction submitted to BSP on a quarterly basis, inasmuch as only single transactions amounting to 1 Million and above are considered reportable.
- The Consolidated Inventory of Related Party Transactions shall be submitted to the Board of Directors on a quarterly basis to apprise the Board of the Bank's total related party exposure and compliance with the internal limits.

h. WHISTLE BLOWING MECHANISM

It is the Bank's policy to ensure that effective whistleblowing mechanism consistent with the corporate values and codes of conduct set by the Board of Directors are in place. The employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. The Bank's Amended Policies and Procedures on Whistle Blowing provides the guidance on how and to whom legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.

i. RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTs

Measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from RPTs that are not engaged on arm's

length terms as well as the manner of handling personnel, officers or directors, who have been remiss in their duties in handling RPTs are likewise provided in the Bank's Amended Policies and Procedures on Whistleblowing.

☐ VETTING PROCEDURES

Where contracts or service agreements, purchases and acquisitions and ROPA disposal transactions with related parties are concerned, the Bank should ensure that the terms and conditions thereof are without prejudice to the Bank's best interests and conducted at arm's length by:

1. Conducting required review procedures by the Comptroller
 - a. Requiring a bid or quotation from another service provider or supplier who is not defined as related party
 - b. Requiring the same terms of ROPA disposal from a related party with that of a non-related party to ensure the same is not less favorable to the Bank
 - c. Conducting due diligence on the terms and conditions being offered by the related party to ensure that it is at par with that being offered by a non-related party
2. Elevating the subject RPT and result of preliminary review and supporting documents to the Board of Directors for their assessment and final approval prior to the consummation of the transaction.
3. Reporting the transaction to the stockholders in the Annual Stockholders Meeting for their confirmation.

☐ DISCLOSURE AND REGULATORY REPORTING

Banks shall adequately disclose in their Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of Board of Directors in performing the responsibilities for RPT; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, or material RPTs.

Lease Contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transactions by the Board of Directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

○ MONITORING AND CONTROL

The General/Branch Managers shall be required to monitor their respective transactions with related parties and report updates and changes thereto to the Head Office on a monthly basis. It should be noted that unrelated parties may subsequently become a related party and vice versa.

○ **REPORTING**

The General/ Branch Managers shall be required to report their respective inventory of related parties as well as related party transactions to the Head Office through the Comptroller on a monthly basis to capture changes and updates as applicable using Bank Forms designed for the purpose.

BANK FORM:

- Inventory of Related Party Transactions-Monthly
- Report on Related Party Transactions-Monthly

The Bank shall report to the Bangko Sentral ng Pilipinas its quarterly Report on Material Related Party Transactions (Annex B of Circular 895), a Category A-1 report 20 calendar days after the reference quarter.

□ **BOARD OF DIRECTORS ACTS ON THE BANK'S RELATED PARTY TRANSACTIONS**

The Board of Directors is tasked to perform the duties and functions in lieu of an RPT Committee. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

DUTIES

- Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Board of Directors shall take into account, among others, the following:
 - The related party's relationship to the Bank and interest in the transaction;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The benefits to the Bank of the proposed RPT;
 - The availability of other sources of comparable products or services; and

- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on the Bank's internal policies shall be endorsed to the Board of Directors for approval.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

MATERIAL RPTs for 2025 as defined under Sec. 135 of the MORB

Parent Bank/QB ans Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Outstanding Amount of Loans and SCR	Term	Original Amount of Loans and SCR	Terms and Conditions (E.g., Regular or Special)
A. Bank/QB								
a. Subsidiaries and Affiliates								
b. DOSRI								
De Guzman, Jenelyn Mendoza	N/A	Risk Management Officer	2-Dec-25	Loan for Consumption	1,440,535.14	3,600 days	1,630,650.00	Regular – Fringe Benefit
De Leon, Joanne Bacalan	N/A	Chief Internal Auditor	22-Dec-25	Loans for Consumption	1,519,636.26	3,600 days	1,627,500.00	Regular – Fringe Benefit
Gravador, Arnel Yutuc	N/A	Chief Compliance Officer	3-Dec-25	Loan for Housing Purposes	2,321,330.60	1,800 days	2,500,000.00	Regular
	N/A	Chief Compliance Officer	3-Dec-25	Loans for Consumption	1,795,591.12	3,600 days	1,849,650.00	Regular – Fringe Benefit
Policarpio, Crisanto, Jr. P.	N/A	General Manager	29-Dec-25	Loans for Consumption	1,244,810.30	3,600 days	1,359,000.00	Regular – Fringe Benefit
Guballa, Loreto De Jesus	Guballa, Alex Dela Cruz	Brother-in-law of Director/Stockholder	03-Aug-10	Sales Contract Receivable	1,045,435.56	3,600 days	1,400,000.00	Regular
	Guimban, Romana Guballa	Sister-in-law of Director/Stockholder	05-Jun-09	Sales Contract Receivable	1,342,003.33	3,600 days	1,800,000.00	Regular
c. Others								
Barles, Marinel Mangubat	RLANDSTAR DEVELOPMENT CORP. By: Kersten Mae B. Legaspi (Rommel Legaspi)	Brother-in-law of Stockholder	28-Nov-25	Sales Contract Receivable	3,436,554.92	1,800 days	5,800,000.00	Regular
Bernabe, Veronica Cruz	N/A	Branch Manager	29-Dec-25	Loan for Consumption	1,053,811.32	5,400 days	1,067,400.00	Regular – Fringe Benefit
Evangelista, Rodolfo Dela Cruz	Evangelista, Jaime Dela Cruz	Brother of Employee	29-Dec-25	Medium Scale Enterprise Loan	1,317,361.72	1,800 days	1,400,000.00	Regular
B. Bank/QB								
a. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
C. Subsidiary 1								
a. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
D. Subsidiary 2								
a. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
E. Affiliate1								
a. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
d. Affiliate 2								
a. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
TOTAL					16,517,070.27			

SELF-ASSESSMENT FUNCTION

INTERNAL AUDIT AND COMPLIANCE STRUCTURE

The internal audit and compliance functions represent important control components of the Bank's organizational structure. Both functions are stand-alone and independent of the operations.

INTERNAL AUDIT FUNCTION

Based on the By-Laws, the Chief Internal Auditor shall be the chief auditing officer of the Corporation directly responsible to the Board of Directors through its Audit Committee. It is her responsibility to strengthen internal audit functions and see to it that adequate corporate audit is regularly made at unannounced intervals. She is in charge of reviewing and appraising the corporate records and accounting procedures and their compliance with the generally accepted internal control standards and requirement of the Bangko Sentral ng Pilipinas and other regulatory agencies. His independent appraisal of the corporate systems and procedures measures and evaluate the effectiveness of other controls providing effective management tool for decision and policy making and should always be guided by integrity and credibility.

The internal audit charter establishes the internal audit function's position within the organization, including the nature of the head of the internal audit function's functional reporting relationship with the Audit Committee and Board of Directors. This charter also recognizes the authority of the internal audit function, to initiate direct communication with any Bank personnel; to examine any activity or entity; to access any records, files, data, and physical properties of the Bank relevant to the performance of engagements; to delegate duties, allocate resources, select subjects, determine scope of works, and select required techniques to accomplish objectives; and to obtain necessary assistance of personnel in audited units within the organization.

The internal audit function, in the discharge of its duties, has the responsibility to:

- Identify and assess potential risks to the Bank's operations;
- Review the adequacy of controls established to ensure compliance with policies and procedures;
- Assess the reliability and integrity of financial and operational information;
- Assess the means of safeguarding assets;
- Appraise the effectiveness and efficiency of operations;
- Follow up recommendations to make sure that effective remedial action is taken;
- Carry out ad hoc appraisals, investigations or reviews requested by Management or the Audit Committee; and
- Coordinate with external audit and other control functions at the Bank to ensure proper coverage and avoid duplication of effort.

COMPLIANCE FUNCTION

To ensure adherence to corporate principles and best practices, the Bank appointed a full-time Chief Compliance Officer to manage the Compliance Program. Given the importance of the compliance function, the Chief Compliance Officer is a senior officer with a rank of at least Vice-President functionally reporting to the Board through its Audit Committee. Such appointment/designation shall require prior approval of the Monetary Board.

The Chief Compliance Officer is the lead senior officer tasked to administer the Compliance Program and interact with the regulatory agencies on all compliance-related issues. The principal function of the Chief Compliance Officer is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. He/she shall be responsible for ensuring the integrity and accuracy of all documentary submission to the BSP.

In relation to Corporate Governance, the Chief Compliance Officer shall have the following duties and responsibilities:

- Monitor compliance by the Bank with the Corporate Governance Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.
- Report to the President and the Board through the Audit Committee, significant compliance issues, the general status of the Bank's level of compliance and also relevant regulations, updates and other compliance matters.
- Exercise specific statutory responsibility, i.e., as Anti-Money Laundering Compliance Officer.

REPORTING PROCESS

The Chief Internal Auditor and Chief Compliance Officer shall report to the Board of Directors through the Audit Committee on a monthly basis the results of audit and compliance testing they have conducted as well as other audit and compliance related issues and concerns.

REVIEW PROCESS

The Board of Directors designated the Audit Committee to assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholders' value and protecting their interest through effective oversight on establishing and maintaining an adequate, effective and efficient internal control framework;

ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets and reviewing the effectiveness of compliance and internal/external audit functions.

The Board of Directors, through its Audit Committee monitors and evaluates the adequacy and effectiveness of the internal control system. The Audit Committee reviews and approves the audit scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls and risk management system. The Committee also reviews and approves the Internal Control Matrix and Checklist being used by the Bank's Auditors in their regular audit. Such Internal Control Matrix and Checklist encapsulate the internal control policies and procedures employed in all areas of the Bank's operation, likewise embedded in their respective manuals or guidelines as applicable.

The Audit Committee oversees the implementation of such internal control policies through the reports submitted and reported by the Bank's Auditors during the regular monthly meeting held every 4th Friday of the month, such as but not limited to the following:

1. Exception Tracking Monitor and Accomplishment Report on a quarterly basis.
2. Preliminary Audit Report, Final Audit Report and reply to Final Audit Report upon completion of such scheduled audit.

The internal audit function performs the review of the Bank's internal control system to validate its effectiveness and adequacy, and weaknesses identified, if any are promptly reported to the Audit Committee for proper resolution. The enhancement or changes such assessment requires are then incorporated in the Audit Manual or Audit Plan as applicable through an immediate amendment thereof subject to the review/approval of the Audit Committee and confirmation of the Board. Thereafter, the amended manuals, plans and/or policies are regularized and implemented throughout the Bank.

Moreover, the Board of Directors, through its Audit Committee reviews and approves the compliance testing scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's compliance system. The Audit Committee oversees the implementation of Compliance Testing Work Plan through the reports submitted and reported by the Bank's Chief Compliance Officer during the regular monthly meeting held every 4th Friday of the month, such as but not limited to the following:

1. ROE Tracking Monitor, Compliance Exceptions Tracking Report, and Accomplishment Report on a quarterly basis.
2. Monthly Compliance Report.
3. Compliance testing results upon completion of such scheduled testing.

DIVIDEND POLICY

As provided under Article XI of the Bank's Amended By-Laws, dividends may be declared annually or at such other times as may be determined by the Board of Directors. The Board may declare dividends only out of the surplus profits of the Corporation after making the necessary provisions for reserves as required by law, Bangko Sentral ng Pilipinas regulations, and the deductions prescribed under Articles IX and X of the By-Laws. Furthermore, stock dividends may be declared only upon the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock entitled to vote at a duly called meeting for such purpose.

For the year, no dividend declaration was made. The Bank has yet to fully comply with the minimum capitalization requirement of ₱300 million for thrift banks. The declaration of cash dividends at this stage would reduce the Bank's capital position and may adversely affect its efforts to meet the prescribed capitalization requirement. On the other hand, the declaration of stock dividends is likewise not feasible since the Bank's authorized capital stock has already been fully subscribed, leaving no unissued shares available for distribution as stock dividends.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As part of its commitment to responsible corporate citizenship and community development, Hiyas Banking Corporation continued to undertake various Corporate Social Responsibility (CSR) initiatives aimed at supporting religious institutions, local communities, public servants, and families in need.

During the year, the Bank extended financial assistance and donations to various churches, parishes, and religious organizations within its areas of operation. These included contributions for church activities, religious celebrations, parish fiestas, mass offerings, and fundraising initiatives organized by local religious institutions. Through these efforts, the Bank reaffirmed its support for faith-based organizations that play a vital role in promoting spiritual growth, social cohesion, and community welfare.

The Bank likewise provided donations and cash gifts to various community sectors, including barangay tanods, street sweepers, garbage collectors, mother leaders, police personnel, and religious congregations. These initiatives were undertaken in recognition of their invaluable service and contribution to maintaining peace, order,

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

cleanliness, and social welfare within the communities served by the Bank.

In addition, the Bank supported educational and civic organizations through financial contributions and sponsorships for community programs and special events. Assistance was also extended to bereaved families through cash donations and floral offerings as an expression of compassion and solidarity during times of loss.

As part of its outreach activities, the Bank conducted a feeding program benefiting members of the local community, particularly children and underserved individuals. The activity sought to promote health, nutrition, and community engagement while fostering a spirit of volunteerism among the Bank's officers and employees.

Through these initiatives, Hiyas Banking Corporation continues to demonstrate its commitment to creating positive social impact and contributing to the well-being of the communities it serves. The Bank remains dedicated to pursuing meaningful programs that promote social responsibility, community development, and inclusive growth, consistent with its mission of being a trusted partner in the progress and development of the communities where it operates.



Feeding Program

Bowl of Kindness



National Shrine and Parish of the Divine Mercy



Festivity & Grand Parade



FINANCIAL CONSUMER PROTECTION PRACTICES

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors and the members of Senior Management provide the means by which they shall identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent in operations, in accordance with the standards and all other applicable laws, rules and regulations.

ROLE AND RESPONSIBILITY OF THE BOARD AND SENIOR MANAGEMENT

1. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board is primarily responsible for approving and overseeing the implementation of the Bank's Consumer Protection Risk Management System. The Board's responsibilities include the following:

- a. Approve the CPRMS and FCPAM that takes into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to financial consumers;
- b. Promote a culture of ethical behavior and adherence to the standards and all relevant laws and regulations;
- c. Provide adequate resources and adopt policies to effectively implement training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank;
- d. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;
- e. Approve product oversight and governance mechanisms designed to ensure that financial products or services meet the needs of financial consumers in target markets or market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups;
- f. Adopt a policy on the imposition of any fees and/or charges of the Banks financial product or service which include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount;

- g. Approve and periodically review the Code of Conduct of Bank's Directors, officers and staff and third-party agents. The Board defines the Bank's corporate culture and values. It establishes standards of conduct and ethics and institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and
- h. Review periodically the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight; and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the Bank's business model and/or operating environment.

2. RESPONSIBILITIES OF THE SENIOR MANAGEMENT

The Senior Management are responsible for ensuring that the practices of the Bank and the third-party agents/representatives are aligned with the Bank's approved FCP policies and risk management system and consistently displayed throughout the Bank's place of business particularly across all business units that deal directly with financial consumers. The Senior Management shall:

- a. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented and appropriately implemented across all levels and business units. It includes the responsibility of identifying the officer which will head the internal complaints handling unit or handle the implementation and regular reporting of consumer-related issues to the Board;
- b. Establish an effective monitoring and management information system to promptly identify, regularly measure, aggregate and analyze FCP-related issues to determine the level of financial consumer risks. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework from any area of the Bank to Senior Management and/or from Senior Management to the Board. The management information system should be able to:
 - i. Provide adequate information on the performance and quality of the Bank's FCPAM and other internal process that can provide relevant information that allows for identification of emerging financial consumer issues and root cause analysis;
 - ii. Determine the level of FCP risk exposure through assessment of its implementation of the Standards;
 - iii. Identify and monitor, in a timely manner, risks that may result in financial loss of financial consumers or results to consumer detriment. Financial consumer complaints, data from consumer redress mechanisms and reports of fraud are key indicators to

- monitor such risks; and
- iv. Identify and assess emerging or increasing FCP-related risks that affect the Bank financial consumers such as social engineering schemes, social media monitoring and market monitoring.
- c. Ascertain that weaknesses in the FCP practices or emerging risks are addressed and corrective actions are taken in a timely manner;
- d. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and
- e. Ensure that adequate information and actions taken are reported to the Board on a regular basis in terms of the measurement of FCP-related risks, reports from FCPAM, compliance with the standards and requirements as well as other material FCP-related developments that will impact the Bank's financial consumers. It includes the responsibility to put in place an effective system where reporting lines are established to promptly detect, analyze, and respond to financial consumer concerns and serious infractions.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

The Bank has a CPRMS that is integrated into the Bank's enterprise-wide risk management processes and risk governance framework. The CPRMS includes the governance structure, policies, processes, measurement and control procedures to ensure that financial consumer protection-related risks are identified, measured, monitored and mitigated. A carefully devised, implemented, and monitored CPRMS provides the foundation for ensuring the Bank's adherence to consumer protection standards of conduct and compliance with the FCPA relevant laws, rules and regulations, thereby, ensuring that identified risks to the Bank and associated risk of financial harm or loss to financial consumers are properly managed. The CPRMS and Financial Consumer Protection Assistance Mechanism (FCPAM) ensure systematic application of policies and procedures, including the standards.

➤ BOARD AND SENIOR MANAGEMENT OVERSIGHT

The Board of Directors and the members of Senior Management provide the means by which they shall identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent in operations, in accordance with the standards and all other applicable laws, rules and regulations.

➤ CONSUMER PROTECTION STANDARDS OF CONDUCT

The standards are the core principles which the Bank must adhere to at all times in dealing with financial consumers, which are embedded in the Bank's conduct and culture. These are specific parameters used to gauge the efficiency of the Bank's CPRMS and FCPAM, modeled after international best practices. The standards are:

- i. Disclosure and transparency;
- ii. Protection of client information;
- iii. Fair treatment;
- iv. Effective recourse; and
- v. Protection of consumer assets against frauds and misuse

A. Disclosure and Transparency

The Bank ensures that financial customers have a reasonable comprehensive understanding of the financial products and services which they may be acquiring or availing. In this context, full disclosure and utmost transparency, to the extent allowed under applicable laws and regulations, are the critical elements that empower the financial consumer to make comparisons and informed financial decisions. This is made possible by providing the financial consumer, through its verified communication channels in traditional and digital platforms, information that accurately represents the nature and structure of the product or service, its terms and conditions, as well as its fundamental benefits and risks.

The standards for disclosure and transparency are applicable even to financial products and services offered electronically, as well as to financial products catering to different market segments with particular consideration for segments that may have limited financial literacy.

The Bank demonstrates adherence to appropriate and adequate disclosure and transparency when:

- a. The manner of disclosure, whether in advertising materials, terms and conditions and other forms of communication are clear, concise, accurate, understandable and not misleading.
- b. Information is disclosed before, during and after a sale of a financial product or service and during key stages of the relationship with the consumer; especially if there are any changes in the terms and conditions. Sufficient product disclosure must be provided before the contracting of the financial product or service to give the client enough basis and time for review. At the pre-contractual stage, information on the type and amount of fees, charges and interests, as well as the standard terms and conditions, must be made available to the client through various kinds of communication channels, including all digital channels. Disclosure of information on financial products or services should be available to the public through printed materials, mass media, websites or digital platforms. For digital financial products and services, the manner of disclosure should be easily accessible, especially where the terms and conditions tend to be deeply embedded and hard to access without scrolling or clicking through multiple screens.

Information should be disclosed and properly documented before and during a sale of a financial product or service and during key stages of the relationship with the financial consumer. Banks must provide the most up-to-date information at the stages that information will be most useful for the client. This requirement includes information provided in advertisements during the pre-contractual stage, at the point of entering a contract and during the term of the contract. The terms and conditions must clearly state whether interest, fees, charges, and penalties can change over time. Clients should also be effectively notified of any changes or amendments to the terms and conditions at least sixty (60) days prior to such amendments by public notice, unless the amendments are directed by the Bangko Sentral to take effect immediately or unless otherwise provided in existing laws, rules and regulations.

Complementary individual notices to a client are also sent within the same period if the amendments pertain to or will result to fees to be paid or charged on the account of the client. The method for computing said interest, fees, charges, and penalties are disclosed consistent with existing laws, rules regulations. Clients may be allowed to pre-terminate the contract on the financial products or services availed if they do not agree with the significant amendments to the terms and conditions as initiated by the Bank, or if they fail to receive any proper notice on the changes in terms and conditions.

- c. Terms and conditions contain all significant provisions of the financial product or service giving prominence to key features/facts. The terms and conditions contain the following details and possess these characteristics:
 - i. Information on risks, return, caveat about the financial product or service, any waiver of rights and limitations of liabilities except the rights mentioned under Section 12 of the FCPA, after-sales service, financial consumer's rights and responsibilities, consequences of failure to meet obligations, rights and responsibilities of the Bank, involvement of authorized agents, any conflict of interest by Bank staff, cancellation and product portability, among others;
 - ii. The above minimum required disclosures are always being in writing or available by electronic means. It follows the standard format and written in plain language to provide the financial consumers key information and disclosures that will facilitate better understanding and comparison among the products offered by different banks.

The Bank requires its client to sign the written or electronic disclosure statement as affirmation of the client's receipt and

understanding of the disclosure statement. The Bank may use any methodology or procedure that allows the client to indicate the intention of authenticating, approving, or accepting an electronic document, consistent with R.A. No. 8792 or the Electronic Commerce Act of 2000, and other relevant laws, rules, and issuances of the Bangko Sentral. The Bank opts to draft an individual or separate disclosure statement for its client or incorporate the same in the main transaction agreement/contract.

- iii. For more complex products, the key features as well as costs and risks highlighted in a key facts statement or Product Highlight Sheet (PHS). The PHS enables comparison with other financial products and provided at no additional cost. Before the signing of any contract, the Bank ensures that the financial consumer has freely signed a statement to the effect that said financial consumer has duly received, read, and understood the PHS.
 - d. Advertising materials are not false, misleading, or contain deceptive statements or omit key information that may materially and/or adversely affect the decision of the financial consumer to avail or acquire a financial product or service. The Bank is legally responsible for all the statements made in the marketing and sales materials that the Bank produces relative to the financial products and services.
 - e. In advertising materials, the Bank shall disclose the contact information of the FCPAM or appropriate internal consumer assistance unit handling financial consumer concerns or complaints and that it is regulated by the Bangko Sentral ng Pilipinas.
- The terms and conditions, public notices and other communications to clients must contain the following:
- i. Contact information of the Bank's FCPAM or appropriate internal consumer assistance unit handling financial consumer complaints or concerns; and
 - ii. Statement that the Bank is a regulated entity by the Bangko Sentral and Bangko Sentral's contact information.
 - f. Communication of the Bank officers, staff, authorized agents or any other party acting on the Bank's behalf is conducted in such a manner that clients can understand the terms of the contract and their rights and obligations. Client segments that may have financial literacy limitations or subject to certain disabilities or infirmities preventing them from reading or understanding a proposed written contract should be given a clear verbal explanation of the terms and conditions, as well as its features, risks and costs, in a language they can understand.
 - g. Adequate time is given to financial consumers to review, ask questions and receive information to fully understand the terms and

conditions prior to signing the contract or agreement or executing the transaction. The Bank ensures that documents signed by the financial consumer are completely filled out and have no blank terms provided, that the financial consumer is not precluded from readily availing of the Bank's financial product or service and accepting the Bank's terms and conditions, signing the contract or agreement, or executing the transaction upon his/her sole discretion. The financial consumer must be given a copy of each of the documents they signed including, but not limited to the contract, with all terms and conditions and/or proof of transaction, whether printed or in electronic copy, all the option of the financial consumer, or in the manner or channel through which the product or service was accessed, immediately after the contract or agreement was executed or transaction was completed.

- h. Statements of Account or Billing Statements are provided regularly in a convenient manner to the financial consumer, or through the channel through which the product was sold, commensurate to the type of product and terms. The statement must bear an official seal and/or include the letterhead of the Bank. In general, statements for transaction accounts, including loan accounts, with regard to the period covered, and depending on the type of product, should include the following information:
- i. the opening and closing balances;
 - ii. any transactions made during the period, such as but not limited to deposit, withdrawal, fund transfer, investment, remittance and/or payment;
 - iii. the merchant or counterpart of each transaction, if any;
 - iv. details of the interest rate applied to the account, if any;
 - v. details of the fees, exchange rate and other charges incurred by the customer in each transaction, if any; and
 - vi. any changes applied to the interest rates, charges or fees, if any.

The frequency with which statements are provided shall commensurate with the type of service and its term, to allow clients to become aware of any unauthorized transactions.

Upon culmination or termination of the contract or agreement, the Bank shall immediately provide the financial consumer with a written or electronic notice, certification or other closing statement, without need of written or verbal demand.

B. Protection of Client Information

Financial consumers have the right to expect implementation of the most appropriate safeguards ensuring the confidentiality, integrity and availability of financial transactions, as well as expect that all relevant personal information lawfully disclosed in the course of a transaction, are kept confidential and are secured.

The Bank shall demonstrate the ability to protect financial consumers' information when, among other things, by ensuring the following:

- a. Privacy Policies to Safeguard Consumer's Personal Information.

We are committed to protect client's privacy in accordance with Republic Act 10173 otherwise known as Data Privacy Act of 2012, its implementing rules and regulations, and other applicable laws of the Republic of the Philippines. We assure that any information communicated to us is protected. The Bank employs a combination of organizational, physical, procedural and technical security measures to secure the clients' personal data.

- i. What we may collect from the Clients

When clients apply for or avail of any product or service that the Bank's offers or when clients interact with our employees and authorized representatives or visit our premises, the Bank may collect personal information such as but not limited to as follows:

- name and personal particulars such as birth date, age, place of birth, address, mailing instruction, gender, civil status, dependents, name of spouse, parents name, mother's maiden name, contact details, email address;
- specimen signatures;
- government ID details;
- financial information (such as income, expenses, tax, insurance, financial and transaction history, etc.);
- employment details and/or business information;
- profession (such as Attorney, Doctor, CPA, Engineer, RN, etc.);
- images via CCTV and other similar recording devices and processes which may be observed when visiting our offices; and
- other personal information authorized and mandated by law to be collected such as but not limited to Anti-Money Laundering Act of 2001 (AMLA), Bangko Sentral ng Pilipinas Circulars, etc.

We may, as and when necessary, seek to verify or augment this information with third-party entities including government regulators, judicial, supervisory bodies, tax authorities or courts of competent jurisdiction and, in the process, gain additional information.

In the course of availing our products and services, we also collect information about client's transactions and dealings which include account activities, movements and interactions with third parties such as merchants and utility companies.

include account activities, movements and interactions with third parties such as merchants and utility companies.

We may also collect, use and keep client's personal opinions or comments made known to us via feedback or responses to surveys or any other interaction that clients had with our employees and authorized representatives.

ii. How we use Client's Information

We use the information collected to deliver and provide the products and services that clients have availed to:

- Approve, facilitate, administer and process applications and transactions;
- Respond to queries, requests and complaints and improve how we interact with the clients;
- Sending statements, billings, notices and other such documents necessary for continued use of our products and services;
- Conduct studies and researches for the purpose of reviewing, developing and improving our products and services;
- Perform profile analysis, behavioral modeling and analytics to understand needs, preferences and market trends to be able to improve and recommend suitable products and services;
- Reach out to the clients regarding products and services information, including offers, promotions and for personalizing your experience with our various touch points such as branches, email, messaging and other channels;
- Determine the effectiveness of our marketing efforts and initiatives;
- Perform certain protective safeguards against improper use or abuse of our products and services including fraud prevention;
- Comply with our operational, audit, administrative, credit and risk management processes, policies and procedures, the terms and conditions governing our products, services, facilities and channels, the Bangko Sentral ng Pilipinas rules and regulations, legal and regulatory requirements of government regulators, judicial, supervisory bodies, tax authorities or courts of competent jurisdiction, as the same may be amended or supplemented from time to time;

- Comply with applicable laws of the Philippines and those of other jurisdictions including the laws on the prevention of money laundering including the provisions of Republic Act No. 9160 (Anti-Money Laundering Act of 2001, as amended) (AMLA) and the implementation of know your customer policy;
- Comply with legal and regulatory requirements such as submission of data to credit bureaus, credit information companies, the Credit Information Corporation (CIC) (pursuant to RA No. 9510 and its implementing rules and regulations) responding to court orders and other instructions and requests from any local governmental, tax and law enforcement authorities or other similar authorities;
- Perform such other activities permitted by law and with client's due.

iii. How we may share Client's Information

The Bank ensures that only authorized personnel within the various units of the Bank has access to the client's personal information. Nevertheless, the Bank may share personal information with relevant Government agencies such as Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Credit Information Corporation (CIC), Philippine Deposit Insurance Corporation (PDIC) as mandated by pertinent laws and regulations. In addition, with client's consent, the Bank may share your information with any of its branches to effectively deliver the Bank services and products require. Such data sharing activities shall be done in a manner that is compliant with the Data Privacy Act of 2012 and under an obligation of confidentiality.

iv. How we protect Client's Information

We fully recognize the value of client's personal information particularly as it may include sensitive personal information such as gender, government-issued IDs, etc. Appropriately, we strive to maintain the confidentiality, integrity and availability of client's personal information by employing physical and procedural safeguards. We train our employees to properly handle the client's information.

v. How long do we keep Client's Information

Client's personal information shall be retained for as long as the purpose for which it was collected, and such other purposes that

you may have consented to from time to time, remains in effect and until such time as it is no longer required nor necessary to keep your information for any other legal, regulatory or business purposes.

vi. How we dispose the Client Information

With respect to closed accounts, the records on customer identification, account files and business correspondences, shall be preserved and safely stored for at least five (5) years from the date of closure of account or termination of the business relationship, unless required by law or other regulations, or as directed by Bangko Sentral to be retained for a longer period. However, records which are subject of, or are pertinent to, an issue that has been raised during a Bangko Sentral examination shall be preserved until such time that the issue has been fully resolved with finality by the Bangko Sentral.

Procedural requirements on disposal of client Information and other documents:

1. Banks dispose its client information and other documents with prior approval of the Board;
2. All client information and other documents that for disposal must be burned or shredded in the presence of the Bank representative.

vii. Permissible access of the Bank employees to client information

- Loans Department:
 - General Manager, Risk Management Officer, Loan Officer, Documentation Specialist, Credit Analyst, CI/Appraiser and Loan Processing Officer for Head office and the Branch Manager and Branch Loan Processing Clerk for branches, Paralegal;
- Cash Department:
 - General Manager, Risk Management Officer and New Accounts Officer for Head Office and Branch Manager and Branch New Accounts Clerk for branches.
- Chief Compliance Officer and Chief Internal Auditor for Audit and Sampling purposes.
- Chief Compliance Officer and Chief Internal Auditor for Audit and Sampling purposes.

In terms of client information on the Bank's Loans Management System (LMS) and MegaTeller it is secured by username and password, the following Bank employees who can access the

client information are the General Manager, Loan Processing Clerk and New Accounts Clerk for Head Office and Branch Managers, Loan Processing and New Accounts Clerk for branches.

viii. Client's Rights

In respecting client's rights to privacy, clients may opt to tell us:

1. Not to send marketing materials via email or SMS;
2. Not to share information with other companies that we have business with provided that such information is not critical nor required by applicable laws and regulations in maintaining the services that you have availed with us;
3. To provide clients with information that we currently have about subject to restrictions applied to us as a bank and a company operating in the Philippines by certain laws and regulations; and
4. About other concerns relating to how we collect, use, share, protect or dispose your information.

ix. Changes to Our Privacy Statement

We may modify or amend this Privacy Statement from time to time to keep up with any changes in relevant laws and regulations applicable to us on how we collect, use, protect, store, share or dispose of your personal information.

x. Sanctions and Violations

Appropriate penalties may be imposed on erring employees for exposing or revealing client data to third parties without prior written consent from client.

Any violation of the provisions of the Financial Consumer Protection Program shall subject the erring employee to the disciplinary actions provided in the Bank's Code of Conduct.

- a. The Bank ensures that privacy policies are regularly observed, periodically reviewed and updated, and communicated throughout the organization. Privacy policies are subjected to regular review to ensure that they are attuned to the current processing activities, taking into account the use of new technologies and changes in the pertinent standards and/or legal requirements, where applicable.
- b. The Bank has appropriate systems or risk mitigation measures in place to protect the confidentiality and security of the personal data of its financial consumers against any threat or hazard to the security

or integrity of the information, and against unauthorized access. It includes a detailed written security plan, based on the results of the Privacy Impact Assessment (PIA) conducted to identify risks in the processing of personal data. It includes a system for responding to possible security vulnerabilities and/or breaches. It is proportionate to the asset size, structure, nature of products and services, complexity of operations and sensitivity of financial consumer information. These security measures shall be regularly evaluated, monitored, and updated by the Bank to ensure effectiveness.

- c. Implement information security standards and privacy by design principles to ensure the safety and protection of the privacy, confidentiality, integrity, availability, authenticity and non-repudiation of clients' information and financial transactions. End-to-end security protocols, such as but not limited to encryptions and/or security-by-default, between clients and the internal systems of the Bank. The Bangko Sentral may prescribe additional minimum information security standards for compliance by banks. This may include network and software design, as well as information processing, database storage, transmission, retrieval, and disposal. Security must be maintained throughout the life-cycle of financial consumers' information, from data acquisition to disposal. Bank has clear policies and procedures on data breaches including mechanisms to address external threats and internal threats, including those coming from Bank personnel or agents that unlawfully access client data.

Information Security Plan to Protect Client Personal Information

The Bank's Non-Disclosure Agreement (NDA) signed by all employees and its Anti-Money Laundering policies include policies and provisions that safeguard its customer's personal information and any violation thereof is strictly sanctioned. The Bank employees are likewise regularly reminded of this responsibility to observe strict confidentiality and compliance with the Republic Act No. 1405 (An Act Prohibiting Disclosure of or Inquiry Into Deposits with Any Banking Institution) through issued memorandums, manuals, employee training sessions and posters in the premises of all Bank units. The Bank has a written Information Security Plan that includes safeguards on protecting customer personal information against threats or hazards to the security or integrity of the information and against unauthorized access.

The Bank aims to have a strong IT system in place that protects the confidentiality, security, accuracy and integrity of customer's personal information. Maintaining security throughout the life-cycle of customer information, from data entry to disposal are in

place.

The Bank has appropriate policies and practices for employee management and training to assess and address the risks to customer information that includes:

- Screening of new applicants for employment against the Bangko Sentral Records (BSP Circular 1112).
 - Checking references and doing background checks before hiring employees who will have access to customer information.
 - Asking new employees to sign the Bank's Non-Disclosure Agreement (NDA) that reiterates confidentiality and security standards for handling customer information among others.
 - Limiting access to customer information to employees who have a business reason to see it.
 - Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
 - Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
 - Training employees to take basic steps to maintain the security, confidentiality and integrity of customer information. These include locking rooms and file cabinets where records are kept; ensuring the confidentiality of employee passwords; referring calls or other requests for customer information to designated officers who have been trained on how to safeguard personal data and reporting suspicious attempts to obtain customer information to the General/Branch Managers. All employees are likewise regularly reminded of the Bank's policy to keep customer information secure and confidential and strong disciplinary measures are imposed on security policy violations. Terminated employees are prevented from accessing customer information by immediately deactivating their passwords and user names among other measures.
- d. Subject to the provisions of existing laws, rules and regulations on data privacy, the Bank shall communicate to its financial consumers the extent of personal information to be used and purpose for which they are to be processed, the recipients to whom they are or may be disclosed, and the period for which they will be stored. Financial consumers are given an opportunity to retract or cancel their consent, for purposes other than those that are governed by existing laws, rules and regulations.

- e. Give financial consumers opportunity to exercise all their rights as data subjects by implementing mechanisms which enable the free exercise of the same through procedures which are clear, simple, straightforward, and convenient. Data subjects' rights include the right to be informed, right to access their information, right to object, right to rectification or to challenge the inaccuracy and completeness of the information, and right to have their information amended or corrected as appropriate, right to request for deletion or blocking, right to file a complaint, and right to data portability. Clients have the right to review their own data to ensure that inaccuracies or deficiencies are corrected or amended, refuse the sharing of their information to a third party, and request the removal of their data from the Bank's system if they wish to be excluded from receiving advertisements and other notifications, or they no longer wish to use the Bank's services, subject to certain limitations. This is without prejudice to compliance with existing laws, rules and regulations on data retention. Banks provide financial consumers with information on how they may request to be deleted from the Bank's database, or to be excluded from receiving advertisements and other notifications.
- f. Notify financial consumers, as soon as practicable, when privacy breaches occur, that may leave their data vulnerable; and provide means for financial consumers to prevent and respond to privacy breaches. Banks must ensure that when data is shared across authorized parties, the data is transferred securely and used in a manner consistent with privacy policy and relevant rules and regulations. The Bank provides clear policies and procedures on addressing data breaches, from discovery of breaches or detection of security incidents, its evaluation and investigation, documentation, notification to affected financial consumers, compensation to financial consumers, and compliance with the reportorial requirements of regulatory bodies, including the National Privacy Commission.

Responsible Pricing

The Bank establish and follow internal policies and procedures for setting prices for its products and services, based on, among others, the principle of responsible pricing. Pricing procedures and documentation should provide the rationale for why and how prices have been set.

Pricing procedures must consider publicly available information on competitive pricing, except in special instances of tailor-fit and/or pioneering products and/or services, the cost to provide the financial product or service and affordability to the clients, and the reasons for setting the price of each financial product or service are duly documented.

The Bank's pricing mechanism or policy adheres to existing laws, rules and

regulations of the Bangko Sentral. The Bank may also opt to have product governance mechanism assess whether algorithms that influence or determine pricing may be unfairly biased toward certain groups of people, especially vulnerable segments.

Privacy Protection of Client Data

The Bank adheres to the general data privacy principles of transparency, legitimate purpose and proportionality under R.A. No. 10173 or the Data Privacy Act of 2012 and its IRRs. The principles include having well-articulated privacy notices and policies, specifying and declaring the purpose/s for processing and criteria being relied on as the lawful basis for processing client data, ensuring that the processing is necessary and not excessive in relation to the purpose, and implementing reasonable and appropriate information security measures and well-defined protocols for upholding data subject rights, among others.

Procedures in handling the personal information of the financial consumers are periodically evaluated. It is an end-to-end process that cover among others, the array of information that will be pre-identified and collected, the purpose and manner of gathering each information and the Information Technology (IT)-security infrastructure of the Bank. Protocols for processing and disclosure are strictly observed and implemented both within the Banks and to third parties in accordance with the Data Privacy Act, its IRR and other applicable rules and regulations on data privacy.

Provided, that, the criteria for lawful processing of information and protocol for storage, destruction, and disclosure, both within the Bank and to third parties, are in accordance with the Data Privacy Act and other applicable laws, rules and regulations.

C. Protection of Client Information

The Bank has the right to select clients: Provided, that it will not discriminate against clients on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation and practice, or political affiliation: Provided, further, that the Bank shall provide distinction, as necessary, when making a risk assessment on a specific financial product or service.

Fair treatment ensures that financial consumers are treated fairly, honestly, and professionally at all stages of its relationship with the Bank. The Bank adopts mechanisms to safeguard the interest of its clients, which include rules regarding ethical staff behavior, acceptable selling practices, fair and equitable terms and conditions, provision of products and services appropriate to the capacity and risk appetite of financial consumers, among others; and incorporate the same in the policies and

procedures, control functions and agreements with outsourced third parties.

The Bank demonstrates the standard of fair treatment towards financial consumers if its policies and practices observe the following:

- a. The terms and conditions of the Bank are not unfair when there is no significant imbalance in the parties' rights and obligations under the contract, to the detriment of the financial consumer.

Except where expressly permitted by law, in any agreement with a financial consumer, a term should be deemed as unfair if it exempts or absolves the Bank from acting with skill, care, diligence, or professionalism toward the financial consumer in connection with the provision of any product or service, and/or any liability for failing to do so. Ambiguities in contractual terms and conditions should be construed in favor of the financial consumer.

The term and/or condition are deemed unfair when it includes, but is not limited to, the following circumstances:

- it amends the terms of the contract without adequate notice and/or without specifying the circumstances in which this may occur and/or does not provide a right of termination when such amendment occurs;
- it renews a fixed term contract without reasonable notice or conversely, terminates an open - ended contract without adequate notice to the financial consumer;
- it permits the Banks to unilaterally determine whether the contract has been breached or imposes an unreasonable penalty for a breach of the contract;
- it binds the financial consumers to other terms that the financial consumers cannot realistically familiarize themselves with before the contract is executed, or
- it permits the Banks to assign the contract to the detriment of the financial consumers without their consent.

:

- c. The Bank is prohibited from employing abusive collection or debt recovery practices against financial consumers. The Bank or its collection agencies, counsels and other third-party agents may resort to all reasonable and legally permissible means to collect amounts due them. However, the Bank shall observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.

The Bank adheres to existing Bangko Sentral guidelines on outsourcing, as well as relevant laws, rules and regulations. The Bank ensures that all data being handled, processed, and/or stored through an outsourcing arrangement are included in its data inventory and

data classification process. The Bank retains exclusive ownership of its client records and data already referred to its collection agencies, counsels and other authorized third-party agents. The Bank's external collection agencies, counsels or other authorized third-party agents are indispensable parties in complaints involving unfair collection practices.

- b. The Bank's staff and authorized third-party agents or representatives must treat financial consumers with professional competence and in a manner that is fair and reasonable.

The Bank shall ensure that:

- The Bank's Code of Conduct duly reviewed and approved by the Board of Directors spells out the organizational values and standards that uphold protection of consumers and embed the Consumer Protection Standards of Conduct with processes in place to detect, respond to and enforce sanctions on violations thereof. The Code of Conduct is acknowledged by the employees and violations thereof are appropriately sanctioned.
- The Bank aligns its recruitment and training policies around professional, fair and responsible treatment of clients.
 - ✚ The Bank employees receive adequate training suitable for the complexity of the financial products or services and are able to explain the key features, risks, terms and costs, relevant FCP standards and requirements, including statutory and regulatory requirements and related internal policies and procedures that might impact the financial consumers, including those pertaining to consumer risks arising from cyber security and/or digital financing products and services. Training also available to compliance and internal audit officers and staff.
 - ✚ The Bank staff, as well as authorized third-party agents or representatives contracted for sales and marketing purposes, do not use deceptive or high pressure/aggressive sales techniques and should not force clients to sign contracts or rush into a financial deal without the benefit of shopping around.
 - ✚ Bank staff, as well as authorized third-party agents or representatives, do not employ practices that discriminate or take advantage of difficulties faced by vulnerable groups.

- ✦ Recruitment and training policies are aligned around fair and responsible treatment of clients and frontliners who interact directly with the clients receive adequate training on deposit/loan administration. The Bank strictly complies with the BSP's existing regulation on what constitutes unfair debt collection practices which are covered during the regular training of the Bank's collection staff (loan officer/branch managers/ loan processing clerks) during trainings in acceptable debt collection practices and loan recovery procedures.
- ✦ The Bank demonstrates this principle of fair treatment towards its clients by adopting policies that promotes affordability and suitability of product or service; prevent over-indebtedness; objectivity and a culture of fair and responsible treatment of clients. Bank employees are warned against engaging in abusive or deceptive acts or practices as well as using high pressure/ aggressive sales technique and forcing clients to sign contracts.
- ✦ The consequences of signing a contract are explained lengthily and thoroughly to the clients particularly the possible foreclosure of collateral in case of default in payment of a loan/obligation. Work-out solutions are offered on exceptional basis for clients in default who have the "willingness" but without the capacity to pay/repay their obligations, prior to seizing the assets.
- ✦ The Bank employee involved in collections, as well as agents contracted for the purpose, receives training in acceptable debt collection practices and loan recovery procedures consistent with existing relevant regulations.
- ✦ The Bank employee does not employ practices that discriminate or take advantage of difficulties faced by, vulnerable groups such as the low-income earners, and persons with disability.
- ✦ The Bank employees are trained to deal fairly, honestly and in good faith with the customers and to avoid making statements that are untrue or omitting information which is necessary to prevent the statement from being false or misleading.
- ✦ Customer Satisfaction Survey is in place to determine whether the principles of consumer protection are observed, the client's concerns are

appropriately addressed and problems are resolved in a timely manner.

- ✦ The Bank observes policies that guarantee that clients receive a fair price for any foreclosed assets and has procedures to ensure that such foreclosure of collateral is respectful of client's rights.
- ✦ Bank managers and supervisors review ethical behavior, professional conduct and quality of interaction with clients as part of personnel performance evaluations. Customer mistreatment as well as serious infractions and violations of the Code of Conduct shall be sanctioned accordingly.
- ✦ Policies and procedures that aim to protect consumers' deposits and other assets against internal or external fraud or misuse are in place to manage and resolve actual conflicts of interest with respect to compensation policies that arise in the interaction between staff and agents and consumers and potential consumers.

Internal and external fraud is a significant problem faced by any bank of all types, sizes, locations, and industries. While we would like to believe our employees are loyal and working for the benefit of the Bank there are still many reasons why employees may commit fraud and several ways in which they might do it.

- ❖ Know the Employees
Fraud perpetrators often display behavioral traits that can indicate the intention to commit fraud. Observing and listening to employees can help to identify potential fraud risk. It is important for the management to be involved with the employees and take time to get to know them. Often, an attitude change can clue you into a risk. This can also reveal internal issues that need to be addressed. Any change in attitude should be a cause to pay close attention. This will not only minimize loss from fraud but can make the Bank a better, efficient work place with more contented employees. It is very important to know the employees and engage them in conversation. The following policies are in place for the purpose, to wit:
 - Screening of the new applicants against the Bangko Sentral Records (BSP Circular

1112).

- Checking references and doing background checks before hiring employees who will have access to customer information.
- Asking new employees to sign the Bank's Non-Disclosure Agreement (NDA) that reiterates confidentiality and security standards for handling customer information among others.

Reiterates confidentiality and security standards for handling customer information among others.

- Limiting access to customer information to employees who have a business reason to see it.
- Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
- Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
- Training employees to take basic steps to maintain the security, confidentiality and integrity of customer information. These includes locking rooms and file cabinets where records are kept; ensuring the confidentiality of employee passwords; referring calls or other requests for customer information to designated officers who have been trained on how to safeguard personal data and reporting suspicious attempts to obtain customer information to the General/Branch Managers. All employees are likewise regularly reminded of the Bank's policy to keep customer information secure and confidential and strong disciplinary measures are imposed for security policy violations. Terminated employees are prevented from accessing customer information by immediately deactivating their passwords and user names among

other measures.

- ❖ **Creating Employee Awareness & Reporting System**
Awareness affects all employees. Everyone should be aware of the fraud risk policy including types of fraud and the consequences associated. Those who are planning to commit fraud will know that management scrutiny is in place and will be deterred by this. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft. These employees are assets in the fight against fraud. Since many employees are hesitant to report incidents to their employers, the Bank has installed the Policies and Procedures on Whistle Blowing. Employees can report fraudulent activity through its designated officers with their identity safe and confidential.
- ❖ **Implementing Internal Controls**
Internal controls are measures implemented to safeguard the Banks assets, ensure the integrity, accountability of records and deter and detect fraud and theft. Segregation of duties is an important component of internal control that can reduce the risk of fraud from occurring. Internal control measures can be monitored and revised on a regular basis to ensure their efficiency. The Bank has in place Guidelines on Employee Background and Lifestyle Check to detect possibility in fraud.

Fraud Detection

In addition to prevention strategies, Bank also has detection methods in place visible to all employees. It is important to continuously monitor and update the fraud detection strategies to ensure the efficiency and effectivity of the plan. Detection plans are embedded in the daily and regular business transactions. These internal plans installed by the Bank to detect the suspicious transactions and other fraudulent activities of all client's transactions are included in the Bank's Money Laundering and Terrorist Financing Prevention Program.

Financing Prevention Program.

- The Bank includes ethical behavior, professional conduct, and quality of interaction with consumers as part of staff performance evaluations.
- The Bank ensures that the remuneration structure for the employee of the Bank and authorized agents encourages responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest.
- The Bank has in place mechanisms to manage and resolve actual conflicts of interest with respect to compensation or remuneration policies that arise in the interaction between the employee and agents and financial consumers and potential clients. This is demonstrated when the employee or its authorized agent:
 - Discloses to the financial consumer prior to the execution of the transaction that the Bank or its employee/agent has an interest in a direct/cross transaction with a financial consumer.
 - Discloses the limited availability of products to financial consumers when the Bank only recommends products which are issued by related companies, subsidiaries or affiliates, particularly when commissions or rebates are the primary basis for recommending the particular product to financial consumers.
 - Discloses the basis on which the Bank is remunerated at the pre-contractual stage.
 - The Bank ensures the adequate systems and controls are in place to promptly identify issues and matters that may be detrimental to a client's interests, for instance: cases in which advice may have been given merely to meet sales targets or may be driven by financial or other incentives.

- The Bank adopts a risk-focused screening process for its pre-employment or background screening based on factors like the position to be filled, responsibilities associated with such position, reputational and FCP risk implications. Such process may, among others, involve:
 - Inclusion of ethical behavioral, professional conduct, and quality of interaction with financial consumers as part of staff performance evaluations.
 - The Bank conducts an appropriate due diligence before selecting the authorized agents/outsourced employees, taking into account their integrity, professionalism, financial soundness, operational capability, capacity and compatibility with the Bank's corporate culture, and implementing controls to monitor their performance on a continuous basis. The criteria for selection of authorized agents/outsourced including the presence of established mechanism to address clients' complaints against an authorized agent/representative.

D. Effective Recourse

Financial consumers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving concerns, inquiries and requests about financial transactions. Banks have in place mechanisms for complaint handling and redress and employ various modalities or technological innovations for complaints handling.

E. Protection of Consumer Assets against Fraud and Misuse

To mitigate the risks of fraud and misuse faced by financial consumers, the Bank is allowed by existing laws, rules and regulations, to provide necessary assistance, including the provision of relevant information relating to fraudulent or unauthorized transactions. The Bank also provides clear information on the actions taken or to be taken on a complaint, inquiry or request from a financial consumer involving fraudulent or unauthorized transactions. The Bank adequately informs financial consumers of their responsibilities, as users of financial products

and services, and provide timely transaction notifications which are essential in curtailing and detecting fraudulent or unauthorized transactions.

FINANCIAL CONSUMER PROTECTION ASSISTANCE MECHANISM (FCPAM)

The Bank has established its **Financial Consumer Protection Assistance Mechanism (FCPAM)** commensurate to the size, structure, nature of products and services, and complexity of its operations, to provide free assistance to financial consumers on their concerns about the Bank's financial products, services and/or transactions. It includes handling of complaints, inquires and requests.

The Bank's FCPAM is a first-level recourse mechanism for financial consumers who are dissatisfied with the financial product or service of the Bank or its third-party agent or representative. Financial consumers are first required to report their complaints, inquiries or request, through the FCPAM. The Bank adopts simplified requirements and procedures for the availment of the FCPAM by financial consumers. The complaints-handling process of the Bank, including the turn-around time (TAT) is proportionate to the asset size, structure, nature of products and services and complexity of its operations. The Bank provides financial consumer with information on the status and final resolution of the complaints, inquiries or request.

- The Bank's Branch Managers undertake an analysis of the patterns of the complaints from financial customers on a regular quarterly basis including investigating whether complaints indicate an isolated issue or a more widespread issue for financial consumers. This analysis and reports of financial consumer complaints is escalated to the Bank's compliance/risk management function and senior management. The complaints reports are submitted to Bangko Sentral in accordance with relevant regulations.

The Bank provides adequate resources to handle financial consumer complaints effectively and efficiently. The Bank's Chief Compliance Officer who has the appropriate experience, knowledge and expertise is appointed in charge of the complaint handling process.

- The Bank has available multiple channels of platform for lodging complaints, inquiries and requests; taking into consideration financial consumer needs to serve; and has in place dedicated helpdesk or hotline. The complaints handling service is free of charge to financial consumer and may be submitted via oral, written or digital formats.

How the Client may Contact Us

For any queries, clarifications or requests on any aspect of these policies, the exercise of the client's rights pertaining

to the personal information or to provide any feedback that the clients may have about our processing of personal information, they can visit any of our branches or call us at telephone no. (044) 815-5426 or SMS at (0919) 365-2459 or follow us on www.facebook.com/hiyasbankingcorp. Client's may also email us at hiyabankprivacy@yahoo.com, or write our Data Privacy Helpdesk at:

DATA PRIVACY HELPDESK
Hiyas Banking Corporation
Gov. F. F. Halili Avenue, Bagbaguin,
Sta. Maria, Bulacan 3022

- Obtain the financial consumers' consent to share personal information and details of their complaints, evidenced by written, electronic or recorded means, subject to the requirements under the FCP Framework, the Data Privacy Act and its IRR, and other relevant rules and regulations on data privacy, personal information processing, and rights of data subjects, among others.

FCPAM is designed to receive record, evaluate, resolve, monitor and report consumer complaints, concerns, inquiries or request to be implemented by designated officer, unit, group or department, ensuring that there is no conflict of interest.

An up-to-date logbook is maintained and records all complaints from customers subject to the complaint's procedure. This log contains the following:

- Date the complaint was received
- Details of each complaint
- Summary of the Bank's response
- Details of any other relevant correspondence or records
- Action taken to resolve the complaint
- Date the complaint was resolved

Information on how to make a complaint is clearly visible in the Bank's premises.

For financial consumers from vulnerable groups who might not be able to give informed consent, the Bank ensures reasonable accommodations for their easy access to the FCPAM.

Financial consumer who are dissatisfied with the Bank's handling of complaints, inquiries or requests, may escalate the concerns with the Bangko Sentral Consumer Assistance Mechanism (CAM). However, reporting the concern to the Bank's FCPAM is a condition precedent to initiating or filing of a complaint with the Bangko Sentral CAM.

SUSTAINABLE FINANCE FRAMEWORK

❑ POLICY STATEMENT

The Bank is cognizant that climate change and other environmental and social risks could pose financial stability concerns considering their significant and protracted implications on the Bank's operations and financial interest. It is in this regard, that Sustainable Finance Framework has been developed as we seek to achieve strategic resilience by incorporating sustainability in the way we conduct business. We aim to embed sustainability principles including those covering environmental and social risk areas, in our corporate governance framework, risk management systems and strategic objectives that will guide us in making decisions and assessing relationships. The Bank is committed to sustainable development and guided by the United Nation's 17 Sustainable Development Goals shall uphold social and environmental responsibility in its business activities hoping that we, in our own little way, help spur economic growth, improve health and education, and reduce inequality while tackling climate change and the preservation of our oceans and forests.

Sustainable finance is a tool to foster environment and social-friendly businesses and communities towards a climate-resilient Philippine economy. It is an enabling regulation anchored on the BSP's risk-based approach to supervision that mainstreams sustainability principles and includes environmental, social and governance considerations in the governance framework, risk management system, strategies and operations of banks that also follows the United Nations Environment Program's (UNEP) schematic diagram of sustainable development.

The Bank's Sustainable Finance Framework shall promote a culture that encourages environmentally and socially responsible business decisions and ensure that sustainability implications are considered in the decision-making process. The Bank aims to refocus its strategy towards sectors and activities that support sustainable recovery. We can no longer afford to ignore climate change or sustainability issues as a governance priority. By supporting and financing sustainable projects, we create more value for the company's stakeholders while preserving the environment.

Looking beyond the traditional sources of financial risks and that of risks of climate change, the health crisis brought by the COVID-19 pandemic has an enormous impact on the country's health, educational, food security and Micro, Small and Medium Enterprises (MSMEs) giving us the opportunity to put our sustainability principles into action. Channeling funds to support these sectors can contribute to accelerating economic recovery.

The HIYAS BANKING CORPORATION commits to responsible banking and incorporating Environment, Social and Governance (ESG) principles into how we conduct our business in such a manner that would promote financial inclusion, preservation of the environment and sustainability. This we aim to achieve by identifying and addressing the environmental and social impacts of our business activities and decisions that will foster business that enables sustainable growth. Guided by internationally recognized principles and standards, we aim to ensure sustainability strategy is firmly grounded in robust governance, policies, and processes as we encourage transparency and open dialogue with our stakeholders.

❑ DEFINITION OF TERMS

For purposes of this framework, the following definitions shall apply:

- **SUSTAINABLE FINANCE.** This refers to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment.

This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.

- **ENVIRONMENTAL & SOCIAL (E&S) RISK.** This refers to the potential financial, legal and/or reputational negative effect of environmental and social issues on the Bank. E&S issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity, and cultural heritage, among others.
- **PHYSICAL RISK.** This refers to the potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.
- **TRANSITION RISK.** This refers to the potential economic adjustment cost resulting from policy, legal, technology and market changes to meet climate change mitigation and adaptation requirements.
- **ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS).** This refers to policies, procedures, and tools to identify, assess, monitor and mitigate exposures to E& S risks.
- **GREEN PROJECTS.** Projects with clear environmental benefits, such as but not limited to renewable energy, energy efficiency, sustainable water and wastewater management, pollution prevention and control, green

buildings. Exclusion: Fossil Fuel.

- **SOCIAL PROJECTS.** Projects which address or mitigate specific social issues and/or seek to achieve positive social outcomes such as MSME lending. Exclusion: Alcohol, gambling, tobacco, weaponry.

❑ **SUSTAINABLE DEVELOPMENT GOALS**

The Bank supports the sustainable development goals of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, that provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.



❑ **SUSTAINABLE FINANCE STRATEGY**

- **CORPORATE GOVERNANCE**

The Bank’s sustainability principles shall be incorporated in the corporate governance and risk management frameworks including the stress testing exercises to ensure the environmental issues and climate change risks are considered therein and its result fed in the capital and business continuity planning of the Bank.

- **CAPACITY BUILDING & AWARENESS CAMPAIGN**

The Bank shall undertake a capacity building and awareness campaign among its employees and clients alike to ensure their understanding of the risks posed by environment degradation and climate change on the financial sector, enhance the capacity to manage these risks and increase awareness and support for green or sustainable projects. Such campaign includes not only active participation in seminars and forums on sustainability and capacity building initiatives of the Bangko Sentral among others but re-echoing the same to each and one employee of the Bank.

The Bank’s HR Officer is at the helm of such capacity building and awareness campaign on an ongoing basis whereas the control functions, namely, the Risk Management Officer, Chief Internal Auditor and Chief Compliance Officer are tasked to monitor strict implementation thereto as well as report to the Board of Directors on a regular basis, any concerns, or recommendations for its improvement.

- **EMPOWERING THE COUNTRYSIDE BY PROVIDING THE ACCESSIBILITY, CONVENIENCE, AFFORDABILITY, RELIABILITY AND ALLOCATION OF FUND TO FINANCE GREEN OR SUSTAINABLE PROJECTS SUCH AS RENEWABLE ENERGY AND ENERGY EFFICIENCY PROJECTS, GREEN BUILDINGS AND OTHER GREEN ASSETS.**

- **ENCOURAGING OUR CLIENTS TO BE MORE AWARE AND IMBIBE SUSTAINABILITY PRACTICES IN THEIR RESPECTIVE FIELDS.**
The Bank through a personal approach can achieve this on a case-to-case basis and extend help to clients whose projects can either have an impact on the environment or may be impacted by environmental or social risks, whichever the case may be.

- **CRAFTING LOAN AND OPERATIONAL POLICIES THAT WOULD INSTITUTIONALIZE OUR SUSTAINABILITY STRATEGIES.**
Credit policies on projects that by its nature directly or indirectly impacts on the environment shall be developed and installed consists of, but not limited to, additional environmental clearances required from the Department of Environment and Natural Resources (DENR) Sanitary Permits, Emission Test Clearance, and the likes.

- **GIVING DONATION TO GREEN AND SUSTAINABILITY PROJECTS AS PART OF OUR CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.**

- **INSTALLING OPERATIONAL STRATEGIES WITHIN THE BANK THAT WOULD ADDRESS ENVIRONMENTAL CONCERNS SUCH AS BUT NOT LIMITED TO A SHIFT FROM USING PAPER REPORTS TO DIGITAL PRESENTATIONS.**
Paper reports during Board and Committee Meetings had been replaced by email and digital presentations, while regularization of manuals is no longer made in hard copies, but employees are given soft copies resulting to a significant reduction of paper usage.

SUSTAINABLE FINANCE FRAMEWORK

The Bank's Sustainable Finance Framework outlines the methodology and procedures that will be applied to the Bank's financial products and services classified as sustainable finance. It aims to establish an easy, consistent, and comprehensive reference for the classification and reporting of sustainable financial products and services being offered by the Bank.

This Sustainable Finance Framework is dynamic in nature and will be regularly reviewed and expanded as required to amend or add additional qualifying activities and/or criteria and to comply with regulatory expectations.

• CLASSIFICATION

Sustainable finance is broadly defined as any form of financial product/service that promotes positive environmental and/or social (E&S) purposes while contributing to the achievement of the Paris Agreement and Sustainable Development Goals (SDG).

➤ PRINCIPLES FOR ENVIRONMENTAL SUSTAINABILITY

- Climate change mitigation and adaptation. Economic activities enabling, directly or indirectly, a substantial reduction of Greenhouse Gas (GHG) emissions and/or increase of energy efficiency. Measures adapting to acute and chronic physical risks caused or intensified by climate change.
- Protection, restoration and promotion of natural resources and health ecosystems. Protection of marine and terrestrial resources including water, critical and high carbon stock ecosystems, and other primary resources. Restoration of biodiversity and ecosystems. Pollution protection and control and general reduction of resource use.
- Transition to a circular economy. Prevention of waste and promotion of recycling and reuse of material.

➤ PRINCIPLES FOR SOCIAL SUSTAINABILITY

- Respect for human rights. Respect for, protection and enablement of basic human rights, e.g., food provision, labor protection.
- Enabling living conditions. Access to affordable housing and infrastructure for transportation, ICT, and energy provision.
- Access to essential services. Inclusive access to health, education, and financial services.

• USE OF PROCEEDS

Where a dedicated use of proceeds can be determined, environmental and social criteria will be applied to classify whether the underlying economic

activities are deemed sustainable.

- **ENVIRONMENTAL USE OF PROCEEDS CATEGORY** – activities helping to sustain, improve or protect the environment.

Environmental Project Category	Eligibility Criteria	Alignment with SGD
Renewable Energy	Research and development, acquisition, development, operation or maintenance of new and ongoing renewable energy generation or transmission projects. Renewable energy projects such as solar, wind, hydropower (capacity of 25MW and below), geothermal, biomass and bio-gas projects excluding those that compete with food production.	7 – Clean Energy 9 – Innovation and Infrastructure 11 – Sustainable Cities and Communities 12 – Responsible Consumption 13 – Protect the Planet 15 – Life on Land
Green Buildings	Acquisition, construction, or renovation of residential or commercial buildings that meets recognized standards such as Philippine BERDE, LEED, BREAM or IFC EDGE Qualification	7 – Clean Energy 9 – Innovation and Infrastructure 11 – Sustainable Cities and Communities 12 – Responsible Consumption 13 – Protect the Planet 15 – Life on Land
Clean Transportation	Financing procurement or development of transportation vehicles and manufacturing facilities such as electric powered trains; electric automobiles; non-motorized, multi-modal transport terminal; railways (passenger and freight rail infrastructure); electronic vehicle charging and battery charging stations.	9 – Innovation and Infrastructure 11 – Sustainable Cities and Communities 13 – Protect the Planet
Energy Efficiency	Development or production of products or technologies that reduce industrial energy consumption, such as improved chillers, transition to fibre networks, improved lighting technology and reduced power usage in manufacturing operations.	7 – Clean Energy 9 – Innovation and Infrastructure 11 – Sustainable Cities and Communities 12 – Responsible Consumption 13 – Protect the Planet 15 – Life on Land

Environmental Project Category	Eligibility Criteria	Alignment with SGD
Pollution Prevention and Control	Reduction of air emissions, soil remediation, waste prevention, or waste management which includes re-use and recycling projects. Development and production of environmentally sustainable products such as: <ul style="list-style-type: none"> Recycling of metals, paper & plastics Recycling activities Biodegradable packaging Projects that support recycling of food and agricultural waste through composting, among others	6 – Clean Water and Sanitation 11 – Sustainable Cities and Communities 13 – Protect the Planet 15 – Life on Land
Sustainable Water Management	Sustainable infrastructure for: <ul style="list-style-type: none"> Wastewater treatment Sustainable urban drainage systems Irrigation facilities Retrofit water supply projects Water recycling Rainwater harvesting or other forms of flooding mitigation provided that adaption and management response plans are in place. 	6 – Clean Water and Sanitation 9 – Innovation and Infrastructure 11 – Sustainable Cities and Communities 13 – Protect the Planet 14 – Life Blow Water
Environmentally Sustainable Management of Living Natural Resources and Land Use	Eligible projects include financing of: <ul style="list-style-type: none"> Environmentally sustainable agriculture Environmentally sustainable fishery and aquaculture Environmentally sustainable forestry Reforestation and preservation of natural landscapes	2 – No Hunger 11 – Sustainable Cities and Communities 13 – Protect the Planet 14 – Life Blow Water 15 – Life on Land
Information and Communications Technology	<ul style="list-style-type: none"> Data infrastructure ICT for climate change 	9 – Innovation and Infrastructure 13 – Protect the Planet

- **SOCIAL USE OF PROCEEDS CATEGORY** – activities enabling social development especially in marginalized target groups.

Social Project Category	Eligibility Criteria	Alignment with SGD
Employment Generation	Loans to micro, small, and medium enterprises and cooperatives engaged in production, retail, wholesale, and trading. Loans to MSME impacted by disasters, calamities, and pandemic to fast track their recovery.	1 – No Poverty 5 – Gender Equality 8 – Good Jobs and Economic Growth 10 – Reduced Inequalities

Social Project Category	Eligibility Criteria	Alignment with SGD
Food Security	Loans to small scale farmers. Financing of infrastructure, equipment, facilities, or technology aimed at reducing food loss and waste, improving productivity and access to markets of small-scale producers or farmers to food security.	2 – No Hunger 8 – Good Jobs and Economic Growth
Access to essential services (health and education)	Improve access to affordable healthcare.: <ul style="list-style-type: none"> Clinics and hospitals Elderly care Pharmaceutical manufacturers, distributors, traders, drugstores Enhance access to quality and affordable education <ul style="list-style-type: none"> Schools, universities, daycares, vocational training, and workshops Inclusive access without discrimination on the basis of gender, race, age, disability.	1 – No Poverty 3 – Good Health 4 – Quality Education 5 – Gender Equality 10 – Reduced Inequalities
Affordable Housing	Loans to development or purchase of socialized housing and economic housing as defined by the Housing and Land Use regulatory Board (HLURB)	1 – No Poverty 5 – Gender Equality 10 – Reduced Inequalities 11 – Sustainable Cities and Communities
Affordable basic infrastructure	Projects providing/expanding affordable access to clean energy, drinking water, sanitation, and transport. Development of telecommunication networks and related infrastructures.	3 – Good Health 6 – Clean Water and sanitation 7 – Clean Energy 10 – Reduced Inequalities 11 – Sustainable Cities and Communities

- **EXCLUSION LIST**

The following do not qualify under the Sustainable Finance Framework:

1. Production or trade in weapons and munition
2. Online gaming and equivalent enterprises
3. Illegal logging, illegal mining, illegal fishing
4. Forced labor and child labor
5. Production of tobacco products
6. Fossil-fuel power generation or transmission and activities dedicated to support expansion of fossil fuel-based technologies.

- **PROJECT EVALUATION AND SELECTION PROCESS**

The evaluation and selection process will focus on the risk assessment and management of environmental and social impact. To ensure that potential environmental risks can be mitigated, compliance with regulatory standards should be required. On the other hand, the focus

of evaluation for the social project category lies on its impact on human rights, labor, health, safety, and community development.

Eligible sustainable finance activities as defined in this Framework will be reviewed and validated following a three-step verification process:

1. The Loan Officer (for the Head Office) and Branch Managers (for HBC branches) will identify sustainable transactions, products or companies and conduct preliminary E&S assessment using a Bank Form developed for the purpose.
2. The Risk Management Officer verifies the classified transactions and conducts a second validating E&S assessment.
3. When there is risk issues identified through the E&S assessment process, the E&S assessment form shall be referred by the Risk Management Officer to the Board of Directors for resolution and decision making. Otherwise, the Risk Management Officer shall elevate the same to the Board of Directors for approval.

➤ **REPORTING**

The Risk Management Officer shall report to the Board of Directors allocation and environmental and/or social impact report of the loans released under the Sustainable Finance Framework within the first year of release, and annually thereafter, until the loan is fully paid.

The Loan Officer, Appraiser, Credit Investigator and Credit Analyst shall incorporate in their respective reports the E&S risks of a certain project which may not be classified as a green project but has been identified with probability of such risks. This would ensure that such E&S risks have been considered by the Board of Directors in approving or rejecting such loan application.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS)

This Sustainable Finance Framework has been developed to articulate the Bank's ESRMS and the management of the E&S risks including but not limited to the Bank's credit risk management system.

- **LEVEL OF RISK APPETITE ON E&S RISK**

The Bank, being a simple and non-complex one, does not have the capacity to issue Green/Sustainability Bonds to finance or refinance eligible green and social projects. However, the Bank commits to supporting eligible green and social project applications it will receive up to the Bank's single borrower's limit. The result of the E&S assessment conducted at the onset of a loan shall be considered in the approval or non-approval thereof. For loan applications which nature are assessed to have social and environmental impacts, we shall ensure that their negative impact on the environment, if any, are mitigated by requiring

enhanced documentation such as but not limited to requiring clearances from the DENR, sanitary permit to operate and emission test clearances and the likes. On the other hand, loans that may not be classified as green project but which nature either of the project or the collateral being offered has probability of E&S risks shall likewise be highlighted in their respective reports to ensure such risks has been considered in the approval or non-approval by the Board of Directors.

- **GUIDELINES ON ASSESSING E&S RISKS IN THE BANK'S OPERATIONS, PRODUCTS AND SERVICES, TRANSACTIONS, ACTIVITIES AND OPERATING ENVIRONMENT**

The Bank's Loan Officer (for the Head Office) and/or Branch Managers (for the HBC branches) will identify, qualify, evaluate, and recommend potential projects against environmental and/or social project category criteria. Once qualified, such will be added to the Bank's Sustainable Finance Portfolio.

The evaluation and selection process starts from the collection of data and information which includes due diligence and risks identification. The potential project will be reviewed and evaluated by the Loan Officer and/or Branch Manager if acceptable and compliant with the relevant environmental and social regulations and standards. The Loan Officer and/or Branch Managers conducts thorough analysis of loan application, by considering the size and type of transaction, loan to value ratios, term of the loan, and the sector or industry in which the client operates when conducting environmental and social due diligence on a transaction. They also perform analysis using a range of tools such as site visit checklists, client questionnaires, and environmental assessments, the outcome of which will then be evaluated and incorporated into the Bank's standard credit process.

The result of the assessment will be submitted to the Risk Management Officer for validation and where there are no further risk issues to the Board of Directors for approval. Where there is risk issues identified, the same shall be escalated by the Risk Management Officer to the Board of Directors for resolution.

- **SECTORS/ACTIVITIES WITH ELEVATED OR EMERGING E&S RISKS THAT COULD BE HARMFUL TO THE ENVIRONMENT**

1. Mining, logging, quarrying
2. Transportation and storage

- **MONITORING TOOLS FOR E&S RISKS AS WELL AS COMPLIANCE**

The Bank's Loan Officer for the Head Office and/or Branch Managers for HBC branches shall:

1. Submit to the Risk Management Officer the covering risk assessment

and recommendation on the potential projects under the Sustainable Finance Framework.

2. Inform the Compliance Office of loans approved under the Sustainable Finance Framework.
3. Conduct semi-annual review and update of the loans released under the Sustainable Finance Framework and submit the results thereof to the Risk Management Officer and Chief Compliance Officer.
4. The Risk Management Officer shall consolidate the results of the review and assessment and submit the same to the Board of Directors.

- **GUIDELINES ON BREACHES IN LIMITS OR THRESHOLDS AND/OR NON-COMPLIANCE WITH SUSTAINABILITY-RELATED STANDARDS, LAWS AND REGULATIONS**

Breaches in limits or thresholds exceeding up to the Bank's single borrowers limit or non-compliance with sustainability-related standards, laws and regulations shall be monitored by the Loan Officer on a monthly basis and any noted breaches shall then be reported to the Bank's Risk Management Officer for reporting to the Board of Directors for resolution and proper measures and action to be undertaken.

Further, limits or threshold breaches or non-compliance with sustainability-related standards, laws and regulations are also monitored and addressed by the Chief Compliance Officer through his Compliance Testing, the results which along with his recommendations are reported to the Board of Directors through the Audit Committee.

Imposition of sanctions is within the jurisdiction of the Board of Directors. The following are the sanctions available in the event of breaches in limits or thresholds and/or non-compliance with sustainability-related standards, laws, and regulations, to wit:

- On the first (1st) offense, an oral reprimand shall be rendered to Bank officer/s noted to have breached the limits/thresholds and/or violated any of the sustainability related-standards, laws, and regulation.
- On the second (2nd) offense, a Personal Memorandum shall be issued to Bank officer/s noted to have repeatedly breached the limits/thresholds and/or repeatedly violated any of the sustainability related-standards, laws, and regulation.

On the third (3rd) offense, a disciplinary layoff or suspension from work without pay shall be rendered to Bank officer/s noted to have habitually breached the limits/thresholds and/or violated any of the sustainability related-standards, laws, and regulation

- **ASSESSMENT TOOLS FOR IDENTIFIED E&S RISKS AND ITS IMPACT I THE AGGREGATE RISK EXPOSURE OF THE BANK**

The Bank's Loan Officer (for the Head Office) and Branch Managers (for HBC branches) use the Bank Form developed for the purpose of project evaluation and selection.

The Risk Management Officer validates the risk assessment conducted by the Loan Officer and/or Branch Managers. Based on the outcome of the validation, the Bank may require clients to manage or mitigate environmental and social issues before proceeding with the loan releasing. Loan applications/transactions flagged as having unclear or higher risk are elevated to the Board of Director for review, resolution, and proper action.

The assessment of identified E&S risks and its impact on the aggregate risk exposure of the Bank is further validated in the three-fold testing conducted by the Risk Management Officer, the Chief Compliance Officer and the Chief Internal Auditor.

- **STRESS TESTING**

E&S risks are integrated in the Bank's stress testing exercises covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151 of the MORB. The results of the stress testing feed into the Bank's capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plans.

GUIDELINES ON STRESS TESTING EXERCISES

The Bank's Risk Management Officer is tasked to conduct the Stress Testing covering E&S risks and reporting of the results thereof to the Board of Directors on a semi-annual basis. These exercises are conducted to avoid underestimating potential E&S risks that could pose losses to the Bank. Thorough assessment of potential E&S risks for loans shall be conducted by the Loan Officer for the Head Office and Branch Managers for the branches, results thereof shall be reported to the Risk Management Officer for proper monitoring and shall be considered in the Stress Testing Report.

The procedures on conducting Stress Testing are as follows:

- Stress Testing for E&S is prepared when there are loan accommodations approved by the Board of Directors for the purpose and when there is loan accounts reported to the Risk Management Officer that were assessed to have potential E&S risks.

- The Stress Testing Report for E&S shall include the following: (i) stress scenarios, such as additional 20% or 50% Allowance for Credit Losses to be booked in the event of failure to pay or lower collection on E&S Risk approved loan accommodations; (ii) results of the Stress Testing; and (iii) analysis of the Stress Testing results, i.e., its impact on the Bank's total capital position, Capital Adequacy Ratio (CAR), and Minimum Liquidity Ratio (MLR).
- The Stress Testing Report shall be reported to the Board of Directors on a semi-annual basis, i.e., January and July of each year, to apprise the Board of Directors on the impact of stressed E&S risks on the total capital, capital adequacy, and minimum liquidity position of the Bank.

The Bank's Loan Officer, General Manager, Branch Managers and Risk Management Officer are at the helm of periodic monitoring and assessing adherence to policies and procedures, ensuring that E&S risk arising from credit operations are effectively managed.

Further, adherence to policies and procedures to ensure effective management of E&S risks arising from credit operation are also monitored and assessed by the Chief Compliance Officer and Chief Internal Auditor through their Compliance Testing and Audit.

For the Bank's business continuity and disaster recovery plans, the Risk Management Officer shall maintain the following, to wit:

- Consolidated database of loans granted with Environmental and Social Risk prepared by the Bank's Loan Officer.
- Digitized copies of loan documents of accounts with E&S risks, i.e., Loan Application, Promissory Note, Real Estate Mortgage, Credit Investigation Report, Identification Cards, Disclosure Statement, and other documents, such as clearances/permits from environmental and social related agencies.

- **RESPONSIBLE OFFICER**

The Risk Management Officer is responsible for overseeing the management of E&S risks.

- **OPERATIONAL RISK MANAGEMENT SYSTEM FOR E&S RISKS RELATED TO OPERATIONS**

The Bank manages the environmental and social risks with the same care and discipline as any other business risk and undertakes a strong review process to take the environmental and social impacts and practices of the borrowers and potential borrowers into consideration in the Bank's selection decisions. Environmental and social risk management adds a new dimension to the existing risk management approach that already focuses on assessing risks such as credit risk, market risk and liquidity risk in each bank's transaction.

The Loan Officer for the Head Office and Branch Managers for the branches identify and assess Environmental and Social (E&S) risks related to credit operations. When the Bank identifies potentially significant environmental and social issues, the Bank prefers to address the issue by working with the borrower on appropriate safeguards and more sustainable practices. By facilitating the adoption of more sustainable practices, the Bank is able to better serve the long-term interests of the borrowers, the communities and the environment in which they operate, while ensuring prudent risk management for the business. The preparation and reporting process for the proper management of E&S risks and other risks are as follows:

1. E&S Risks Monitoring Report, i.e., the report used to monitor loan exposure to E&S risks, with the following column heading: (i) Account Name; (ii) PN Number; (iii) Date Granted; (iv) Maturity Date; (v) Outstanding Balance; (vi) Type of Loan; (vii) Purpose of Loan; (viii) Industry Classification; and (ix) E&S Risks involved for the loan, shall be prepared by the Loan Officer for the Head Office and the Branch Managers for HBC units on a monthly basis.
2. The Loan Officer and the Branch Managers shall as well identify and assess other risks related to borrowers, such as physical and transition risks that may impact the borrowers' businesses or sources of funds and prepare the Physical and Transition Risks Monitoring Report on a monthly basis.
3. E&S Risks, Physical Risks and Transition Risks Monitoring Reports shall be submitted to the Bank's Risk Management Officer for monitoring and reporting purposes every 2nd week of the month following the reference month.
4. Loan exposures to E&S risks as reflected in the E&S Risks Monitoring Report shall be reported to the Board of Directors every 4th Friday of the month to apprise the Board on the Bank's exposure to E&S risks.

- **BREAKDOWN OF E&S RISK EXPOSURES OF THE BANK PER INDUSTRY OR SECTOR**

As of December 31, 2025, the Bank's credit exposures include twelve (12) loans granted and released with noted E&S risk, as follows:

HBC Unit	Outstanding Balance	Noted Risk
Head Office	174,769.25	Environmental risk, i.e., environmental pollution, and social risk, i.e., human health hazard
Head Office	883,531.16	Environmental risk, i.e., environmental pollution, and social risk, i.e., human health hazard
New Market Site	1,469,908.78	Physical risk, i.e., risk of flooding and soil erosion as there is a river at the back of the collateral property.

HBC Unit	Outstanding Balance	Noted Risk
Malolos	662,913.44	Physical risk, <i>i.e.</i> , risk of flooding and soil erosion as there is a river or creek beside the collateral property.
Head Office	550,372.48	Physical risk, <i>i.e.</i> , value of the property depreciate/decline as it is near an NPC transmission line, and social risk, <i>i.e.</i> , human health hazard
Hed Office	103,188.30	Environmental risk, <i>i.e.</i> , environmental pollution, and social risk, <i>i.e.</i> , human health hazard
Head Office	371,371.26	Environmental risk, <i>i.e.</i> , environmental pollution, and social risk, <i>i.e.</i> , human health hazard
Head Office	2,714,169.96	Physical risk, <i>i.e.</i> , value of the property depreciate/decline as it is near an NPC transmission line, and social risk, <i>i.e.</i> , human health hazard
Hed Office	84,352.18	Physical risk, <i>i.e.</i> , value of the property depreciate/decline as it is near an NPC transmission line, and social risk, <i>i.e.</i> , human health hazard
Malolos	1,317,897.92	Physical risk, <i>i.e.</i> , risk of flooding as the collateral property is located in flood prone area
Head Office	1,373,897.92	Physical risk, <i>i.e.</i> , value of the property depreciate/decline as it is near an NPC transmission line, and social risk, <i>i.e.</i> , human health hazard
Head Office	1,467,142.63	Physical risk, <i>i.e.</i> , risk of flooding and soil erosion as there is a river or creek at the rear part of the collateral property.
TOTAL	11,172,979.08	

- INFORMATION ON EXISTING AND EMERGING E&S RISKS AND THEIR IMPACT ON THE BANK**

In 2025, the Bank's credit portfolio included twelve (12) accounts identified with environmental and social (E&S) risks, while no new or emerging E&S risks were recorded in the most recent credit releases, reaffirming the Bank's commitment to sustainable and responsible lending through continued vigilance in assessing and managing E&S-related exposures, such as environmental pollution, physical risks to property, and potential human health hazards, which demonstrates its proactive approach to risk mitigation and upholds its dedication to protecting community well-being and environmental integrity in alignment with its broader values of sustainability, social responsibility, and prudent financial stewardship.

- OTHER INITIATIVES TO PROMOTE ADHERENCE TO INTERNATIONALLY RECOGNIZED SUSTAINABILITY STANDARDS AND PRACTICES**

For other areas of operations, Environmental and Social (E&S) risks are

identified and assessed by the General Manager for the Head Office and by the respective Branch Managers for the branches.

In line with its sustainability objectives, the Bank has implemented an Environmental and Social Risk Management System (ESRMS) to systematically address E&S risks in its daily operations. This comprehensive system includes several key actions designed to minimize environmental impact and promote sustainability:

- **Promoting a Paperless Office:** Reducing paper usage through digital documentation and electronic communication.
- **Water Conservation:** Conducting an inventory of all faucets and water connections to save water and prevent water crises.
- **Recycling Program:** Implementing recycling initiatives to manage waste responsibly.
- **Energy Efficiency:** Using LED lights and purchasing inverter appliances to conserve power.
- **Fuel Conservation:** Scheduling company vehicles for site visits, appraisals, and credit investigations to optimize fuel usage and reduce greenhouse gas emissions.
- **Safety Initiatives:** Providing a safe environment for both customers and employees.

To ensure the Bank's alignment with these sustainability objectives, senior management oversees the consistent application of these practices across all job assignments. Compliance with the Bank's sustainability practices is monitored on a monthly basis. The Comptroller for the Head Office and Branch Managers for the branches prepare detailed monitoring reports, which are then submitted to the Risk Management Officer for evaluation. This diligent monitoring and evaluation process ensures that the Bank remains committed to its sustainability goals and continues to operate in an environmentally and socially responsible manner.

DUTIES AND RESPONSIBILITIES

- a. BOARD OF DIRECTORS**

Consistent with the expectations set out under Sec. 132 of the MORB to promote the long-term financial interest of the Bank and ensure that it has beneficial influence on the economy, the Board of Directors shall:

- Institutionalize the adoption of sustainability principles, including those covering E&S risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the Bank's strategic objectives and operations taking into account the Bank's risk appetite and ability to manage risks.

- Ensure the integration of Environmental and Social (E&S) Risks in setting strategies, objectives, targets, and other business plans, and incorporating the same in the preparation of the Bank's Annual Plans and Budget. The Board of Directors shall also monitor the progress in attaining the accomplishment of such strategies, objectives, targets as well as other business plans by requiring the Risk Management Officer to render regular reports to the Board of Directors as well as conducting periodic review and evaluation report to gauge their effectiveness.
- Develop capacity building programs for the Board of Directors and all personnel through an active participation in webinars and trainings related thereto and where possible, sending delegates to technical training sessions given by multilateral institutions and other UN SDG supporters such as USAID, BSP and the likes on an on-going basis.
- Establish an effective strategy to communicate sustainability objectives and policies across the Bank and stakeholders by including the Bank's sustainable finance framework in the monthly agenda of the Board of Directors and in the Annual Report to Stockholders highlighting not only the Bank's objectives but progress in attaining such objectives.
- Promote a culture that fosters environmentally and socially responsible business decisions by including sustainable strategies and initiatives in the Bank's internal standard operating procedures such as but not limited to:
 - Promoting a paperless office and maximizing technology in the regularization of manuals and voluminous training materials, streamlining reports to avoid obsolete, duplicated or unnecessary reports.
 - Conserving energy within the office by replacing all lights with LED Lights, installing inverter appliances i.e., air-conditioner and electric fan.
 - Implementing a recycling program where files for disposal are re-used for draft printing, and the likes.
 - Scheduling the use of company vehicles to cut down on fuel and gasoline consumption.
 - Purchasing office furniture and fixtures that are environment-friendly.
- Ensure the adequacy of available resources in attaining sustainability objectives by keeping an open mind in allocating funds to the acquisition or engagement of resources necessary for the purpose and that sustainability implications are considered in the over-all decision-making process at all times.
- Integrate the sustainability agenda in the performance appraisal system by mandating the Bank's HR Officer to develop Bank Forms that ensure its inclusion and consideration during the annual performance appraisal.

- Approve the Bank's ESRMS that is commensurate with the Bank's size, nature and complexity of operations and oversee its implementation. The Board of Directors shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the Bank-wide risk management system.
- Approve application for loans and other credit accommodations that support eligible green and social projects. The Bank's Appraisal and Credit Investigation Report prepared by the Bank's Appraiser and Credit Investigator shall **incorporate a report on ESG factors to facilitate and justify loan approval or rejection as the case may be. The Board of Directors is responsible for** rejecting loans and other accommodations to business activities that are included in the exclusion list, harmful to the environment, violate human rights, and undermine biodiversity and cultural heritage of communities, among others.

b. SENIOR MANAGEMENT

The senior management shall be responsible for the overall implementation of the Board-approved strategies and policies in relation to the sustainability objectives of the Bank and shall:

- Ensure alignment of Bank activities with the overall E&S strategic objectives/targets through the periodic review of the Annual Plans and Budget and reporting the same to the Board of Directors for their oversight and necessary actions as the case may be.
- Adopt tools and methodologies that will manage E&S risks such as but not limited to E&S risk rating sheet, E&S assessment form, and E&S risk monitoring report to be prepared by the responsible employee for the proper management and monitoring of E&S risks.
- Communicate sustainability policies and procedures across the organization through the regularization of the Sustainability Finance Framework, the ESRMS, regulations and updates on the matter and by including the same in the agenda of Board Meetings and regular management meetings.
- Report to the Board of Directors the E&S risk exposures and progress of implementation of the Sustainable Finance Framework on a regular basis with such report highlighting potential issues associated with both internal and external activities of the Bank and of its clients that may have material impact on the Bank's portfolio or reputation.
- Assess continuing relevance of the sustainability policies in the face of evolving developments through the annual review and evaluation of the Sustainable Finance Framework by the Risk Management Officer and the consistency of performance of personnel with the Bank's sustainability objectives by incorporating ESG in the Bank's Forms for Rating Sheet (for Directors) and Performance Evaluation (for employees).

- Facilitate the identification, assessment, monitoring and mitigation of E&S risks. The Risk Management Officer shall ensure that the Bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the Board of Directors.

c. RISK MANAGEMENT OFFICER

The Bank’s Risk Management Officer is responsible for overseeing the management of the Bank’s E&S risks and shall report to the Board of Directors the existing and emerging E&S risk exposures and their impact on the Bank as well as status/progress report of the attainment of the Bank’s sustainability objectives and strategies under the Sustainable Finance Framework.

The Risk Management Officer is tasked to integrate the E&S risks into stress testing, capital and liquidity planning exercises as well as in the business continuity and disaster recovery plans and ensure that such are reported to the Board of Directors on a regular basis.

d. CHIEF INTERNAL AUDITOR AND CHIEF COMPLIANCE OFFICER

The audit and compliance functions shall incorporate in their respective programs the assessment of adherence to policies related to the management of the E&S risks and evaluation of the robustness and continuing relevance of the said policies. The internal audit function shall also review the Bank’s adherence to international sustainability standards and principles as well as relevant laws and regulations.

The scope of audit to be performed by the Audit functions on the Bank’s Sustainable Finance Framework shall cover the review of the following: (i) sustainability policies, procedures and risk management system, including the integration of sustainability principles in operations and adherence to international sustainability standards and principles as well as relevant laws and regulations; (ii) Bank’s culture, competence, training and awareness on sustainability; (iii) effectiveness of the tools or mechanism used in managing and monitoring environmental and social (E&S) risks; (iv) Board and senior management oversight, *i.e.*, roles, responsibility and authority on sustainability; and (v) periodic reporting to management and Board of Directors relative to sustainability and E&S risks. On the other hand, the scope of compliance testing to be performed by the Compliance function on the Bank’s Sustainable Finance Framework shall cover the following: (i) monitoring and tracking of compliance with the Bank’s sustainability policies and procedures as well as regulatory agencies standards and relevant laws and regulations; and (ii) checking and monitoring of implementation of updates in sustainability standards and principles as well as relevant laws and regulations for continuous improvement.

Detailed procedures to be performed by the Audit and Compliance functions as well as their comprehensive work programs covering the assessment of the integration of sustainability principles in operations, including adherence to international sustainability standards and principles and relevant laws and regulations are incorporated in the Amended Internal Audit Manual and Amended Compliance Program & Manual as well as in their respective Bank Forms for Audit Procedures Checklist and Compliance Testing.

CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE

KEY OFFICERS	
POSITION	NAME
President	PATRIA H. PEREZ
Vice-President/Chief Compliance Officer	ARNEL Y. GRAVADOR
Corporate Secretary	ELEANOR C. MENDOZA
Treasurer	GERARDO M. DE LEON
Chief Internal Auditor	JOANNE B. DE LEON
Comptroller	PEACHY VELLE L. SANCHEZ
Risk Management Officer	JENELYN M. DE GUZMAN
Vice-President/General Manager	CRISANTO P. POLICARPIO, JR.
Chief Security Officer	MANUEL D.V. ERANES

ORGANIZATIONAL STRUCTURE

HEAD OFFICE

CASH DEPARTMENT	
POSITION	NAME
Head Cashier	NORA V. CONTRERAS
Head Teller/Check Verifier	MARVIN SETH D.R. OSORIO
New Accounts Clerk	MICHELLE P. MEDIOS
Check Clearing Officer	DHAN PAOLO DC. MARTINEZ

LOANS DEPARTMENT	
POSITION	NAME
Loan Officer	ABBYGAIL D. PASTORPIDE
Assistant Loan Officer	CHRISTINE JOY MENDOZA
Loan Processing Officer	LAARNI N. DOMINGO
Loan Assistant	KATRINA B. BAYUMBON
Credit Investigator/Appraiser I	DHAN PAOLO D.C. MERTINEZ
Credit Investigator/Appraiser II	JOHN LLOYD G. DUMINDIN
Credit Analyst	JOSELITO R. POLICARPIO
Liaison Officer	HANZ JOSEPH F. MENDOZA
Marketing & Collection Representative	OLIVE D.L. CABATAY

ACCOUNTING DEPARTMENT	
POSITION	NAME
Chief Accountant	RONALD S. FLORES
Accounting Assistant	JUNE PEARL M. NICASIO

COMPLIANCE OFFICE	
POSITION	NAME
Compliance Assistant	SHALIMAR S. SALAZAR

HUMAN RESOURCES, LEGAL AND COMMUNICATION OFFICE	
POSITION	NAME
HR Officer	GERRY LOU V. HERNANDEZ
IT Technical Support	REYNALDO D. MERCED, JR.
Legal Counsel	ATTY. JAY CESAR I. BERON
Legal Assistant	HANZ JOSEPH M. MENDOZA

BRANCHES

MALOLOS BRANCH	
POSITION	NAME
Branch Manager	ALLAN JOSEPH F. MENDOZA
Branch Cashier	CIELITO L. ALEJANDRINO
Branch Accountant	JORIEL LYKA G. CAYLAO
Branch Teller	ISABELLE NICOLE M. LUNA
New Accounts/Loan Processing Clerk	JAN ANGELO P. RODA

NEW MARKET SITE BRANCH	
POSITION	NAME
Acting Branch Manager	RAYMOND CHRISTIAN H. GERONIMO
Branch Cashier	MARY ANE D.C. AMADOR
Branch Accountant	JHOANNA LISSA F. POLICARPIO
Branch Teller	MARY JANE C. CRUZ
New Accounts/Loan Processing Clerk	ABIGAIL JUSTINE C. BAYANI

SAN JOSE DEL MONTE BRANCH	
POSITION	NAME
Branch Manager	SIENALYN R. CLETO
Branch Cashier	GERALDINE Y. OCRAY
Branch Accountant	MEL B. RESURRECCION
Branch Teller	PRINCESS JOY H. BAUTISTA
New Accounts/Loan Processing Clerk	REVIELYN S.P. OLIVARES

NORZAGARAY BRANCH	
POSITION	NAME
Branch Manager	VERONICA C. BERNABE
Branch Cashier	ARDEN B. SANTIAGO
Branch Accountant	JANICE D.S. SAN PEDRO
Branch Teller	VANESSA B. CABILLOS
New Accounts/Loan Processing Clerk	XANDRA D.M. RAMOS

STOCKHOLDERS

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
PEREZ, PATRIA H.	FILIPINO	91,150	9,115,000.00	9.12	Common
CRUZ, JUANITA L.	FILIPINO	90,657	9,065,700.00	9.07	Common
CRUZ, ANGELICA HALILI	FILIPINO	82,392	8,239,200.00	8.24	Common
MANGUBAT, AZUCENA P.	FILIPINO	65,882	6,588,200.00	6.59	Common
ACEVAM REALTY INC.	FILIPINO	52,036	5,203,600.00	5.20	Common
RIMAJB REALTY INC.	FILIPINO	45,726	4,572,600.00	4.57	Common
CARILLO, CLARITA D.L.	FILIPINO	44,245	4,424,500.00	4.42	Common
ESPIRITU, CORAZON A.	FILIPINO	42,715	4,271,500.00	4.27	Common
BAUTISTA, JOSE RAYMUNDO H.	FILIPINO	40,777	4,077,700.00	4.08	Common
BAUTISTA, MA. ANNA D.	FILIPINO	39,122	3,912,200.00	3.91	Common
PEREZ, BERNARDITA H.	FILIPINO	37,907	3,790,700.00	3.79	Common
HALILI, ANNA KATRINA A.	FILIPINO	29,820	2,982,000.00	2.98	Common
TRAJANO, JOCELYN ANNE H.	FILIPINO	29,820	2,982,000.00	2.98	Common
HALILI, ANTHONY GERARD A.	FILIPINO	29,819	2,981,900.00	2.98	Common
DE LEON, GERARDO M.	FILIPINO	27,804	2,780,400.00	2.78	Common
VITO, MARIA ANGELICA C.	FILIPINO	22,001	2,200,100.00	2.20	Common
CRUZ, MARIO HALILI, JR.	FILIPINO	21,752	2,175,200.00	2.18	Common
CRUZ, DOMINGO L.	FILIPINO	17,217	1,721,700.00	1.72	Common
CRUZ, SOTERA L.	FILIPINO	17,143	1,714,300.00	1.71	Common
GARCIA, MARIEDELLE ANNE M.	FILIPINO	15,120	1,512,000.00	1.51	Common
MENDOZA, JESUS ANGELO C.	FILIPINO	12,533	1,253,300.00	1.25	Common
FERNANDEZ, ZENAIDA Z.	FILIPINO	12,064	1,206,400.00	1.21	Common
HALILI, MARIA JOSEFA A.	FILIPINO	11,458	1,145,800.00	1.15	Common
BUENSUCESO, MA. THERESA H.	FILIPINO	10,185	1,018,500.00	1.02	Common
CRUZ, MAURO L.	FILIPINO	8,438	843,800.00	0.84	Common
MARTIN, PLACIDA B.	FILIPINO	8,154	815,400.00	0.82	Common
CRUZ, DOMINGO, JR. C.	FILIPINO	7,995	799,500.00	0.80	Common
CRUZ, FRANCIS ANGELO F.	FILIPINO	7,082	708,200.00	0.71	Common
HEIRS OF BENEDICTO G. GUEVARRA	FILIPINO	5,733	573,300.00	0.57	Common
OPERARIO, RUBY P.	FILIPINO	4,873	487,300.00	0.49	Common
CRUZ, MA. CARMELA C.	FILIPINO	4,406	440,600.00	0.44	Common
GUBALLA, LORETO D.J.	FILIPINO	4,039	403,900.00	0.40	Common
PEREZ, PABLO	FILIPINO	3,936	393,600.00	0.39	Common
DOMINGO, ANGELINA S.	FILIPINO	3,900	390,000.00	0.39	Common
FRANDO, ANGELITA LOIDA B.	FILIPINO	2,981	298,100.00	0.30	Common
HEIRS OF LILIA C. BAESA	FILIPINO	2,749	274,900.00	0.27	Common
MENDOZA, ELEANOR C.	FILIPINO	2,651	265,100.00	0.27	Common
HEIRS OF JACINTO, EFREN P.	FILIPINO	2,363	236,300.00	0.24	Common
HEIRS OF VIRGINIO GUEVARRA	FILIPINO	2,136	213,600.00	0.21	Common
CABATAY, OLIVE D.L.	FILIPINO	1,937	193,700.00	0.19	Common
MARTIN, EVANGELINE B.	FILIPINO	1,831	183,100.00	0.18	Common
ALEJANDRINO, CIELITO L.	FILIPINO	1,777	177,700.00	0.18	Common
DE LEON, JOANNE B.	FILIPINO	1,754	175,400.00	0.18	Common
POLICARPIO, JOSELITO R.	FILIPINO	1,654	165,400.00	0.17	Common
CRUZ, MARILYN R.	FILIPINO	1,596	159,600.00	0.16	Common
MARTIN, MA. THERESA B.	FILIPINO	1,484	148,400.00	0.15	Common
DE GUZMAN, JENELYN M.	FILIPINO	1,395	139,500.00	0.14	Common

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
VICENTE, ARMAND J.	FILIPINO	1,354	135,400.00	0.14	Common
MORALES, MARIA CRISTINA C.	FILIPINO	1,317	131,700.00	0.13	Common
SANTIAGO, DOMINADOR R.	FILIPINO	1,264	126,400.00	0.13	Common
REYES, MA. CECILIA C.	FILIPINO	1,247	124,700.00	0.12	Common
MARTIN, DOMINADOR, JR. B.	FILIPINO	985	98,500.00	0.10	Common
ALEJANDRINO, JOAN C.	FILIPINO	830	83,000.00	0.08	Common
ANGELES, LEILANI I.	FILIPINO	814	81,400.00	0.08	Common
ARMENION, MARY ROSE D.	FILIPINO	786	78,600.00	0.08	Common
FRANCIA, MA. LOURDES B.	FILIPINO	738	73,800.00	0.07	Common
BUENAVENTURA, NENITA F.	FILIPINO	738	73,800.00	0.07	Common
PENAFLOIDA, ELISEA B.	FILIPINO	710	71,000.00	0.07	Common
BERNABE, BELEN B.	FILIPINO	694	69,400.00	0.07	Common
CRUZ, MICHAEL HALILI	FILIPINO	682	68,200.00	0.07	Common
BUENAVENTURA, PILAR S.	FILIPINO	657	65,700.00	0.07	Common
HEIRS OF VICENTE R. SANTIAGO	FILIPINO	637	63,700.00	0.06	Common
SANTIAGO, EDUARDO R.	FILIPINO	637	63,700.00	0.06	Common
SANTIAGO, INOCENCIA C.	FILIPINO	637	63,700.00	0.06	Common
GUEVARRA, ERLINDA C.	FILIPINO	574	57,400.00	0.06	Common
GONZALES, RACHELLE D.R.	FILIPINO	529	52,900.00	0.05	Common
RAMOS, XANDRA D.M.	FILIPINO	505	50,500.00	0.05	Common
AVANCEÑA, ALFRED A.	FILIPINO	426	42,600.00	0.04	Common
RESURRECCION, MEL B.	FILIPINO	391	39,100.00	0.04	Common
JOSE, LAURA D.V.	FILIPINO	364	36,400.00	0.04	Common
INOCENCIO, JOCELYN C.	FILIPINO	359	35,900.00	0.04	Common
PASTORPIDE, ABBYGAIL D.	FILIPINO	349	34,900.00	0.03	Common
AMUL, VERONICA B.	FILIPINO	333	33,300.00	0.03	Common
HEIRS OF DOMINADOR P. SANTIAGO, JR.	FILIPINO	318	31,800.00	0.03	Common
MAZO, LOURDES S.	FILIPINO	318	31,800.00	0.03	Common
SANTIAGO, CONCEPCION	FILIPINO	318	31,800.00	0.03	Common
SANTOS, MARIA JOSEFINA S.	FILIPINO	318	31,800.00	0.03	Common
SENDO, AIDA S.	FILIPINO	318	31,800.00	0.03	Common
MANUEL, MICHELLE L.	FILIPINO	288	28,800.00	0.03	Common
RODRIGO, MARY GRACE A.	FILIPINO	264	26,400.00	0.03	Common
GUEVARRA, BEN JAMES C.	FILIPINO	255	25,500.00	0.03	Common
GULINAO, MA. BELINDA G.	FILIPINO	255	25,500.00	0.03	Common
MALIG, MA. BENILDA G.	FILIPINO	255	25,500.00	0.03	Common
VERGARA, MELITO	FILIPINO	255	25,500.00	0.03	Common
MARTIN, TEODORICO B.	FILIPINO	246	24,600.00	0.02	Common
SAN PEDRO, JANICE D.S.	FILIPINO	222	22,200.00	0.02	Common
DE VERA, MA. ANALYN G.	FILIPINO	219	21,900.00	0.02	Common
GUBALLA, REYNALDO R.	FILIPINO	215	21,500.00	0.02	Common
FLORES, RONALD S.	FILIPINO	203	20,300.00	0.02	Common
BUENAVENTURA, DANILO D.	FILIPINO	201	20,100.00	0.02	Common
ALBERTO, MICHAEL D.	FILIPINO	150	15,000.00	0.02	Common
ESTEBA, CLARISSA A.	FILIPINO	137	13,700.00	0.01	Common
CALAYAG, RUFINA M.	FILIPINO	132	13,200.00	0.01	Common
BARLES, MARINEL M.	FILIPINO	130	13,000.00	0.01	Common
DE JESUS, MARJORIE M.	FILIPINO	130	13,000.00	0.01	Common
MANGUBAT, ELISEO JONNEL P.	FILIPINO	130	13,000.00	0.01	Common
MANGUBAT, JOMAR P.	FILIPINO	130	13,000.00	0.01	Common
DELA TORRE, CLARIZA D.G.	FILIPINO	120	12,000.00	0.01	Common

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
MATEO, NICHOLE S.	FILIPINO	119	11,900.00	0.02	Common
LAGUERTA, MARY ROSE D.C.	FILIPINO	111	11,100.00	0.02	Common
LOZADA, LEANDRO C.	FILIPINO	99	9,900.00	0.02	Common
RUIZ, JOSEPHINE D.	FILIPINO	96	9,600.00	0.02	Common
SANTOS, RODELIO B.	FILIPINO	93	9,300.00	0.02	Common
POLICARPIO, CRISANTO P.	FILIPINO	90	9,000.00	0.01	Common
AMUL, JERIC R.	FILIPINO	81	8,100.00	0.01	Common
DE JESUS, MEIVERLY CATES B.	FILIPINO	76	7,600.00	0.01	Common
DEL ROSARIO, JAY FEE D.C.	FILIPINO	72	7,200.00	0.01	Common
MENDOZA, CHRISTINE JOY	FILIPINO	67	6,700.00	0.01	Common
HEIRS OF LEONARDO S.D. BERNARDINO	FILIPINO	64	6,400.00	0.01	Common
MONTERO, ARLENE G.	FILIPINO	63	6,300.00	0.01	Common
HALILI, TERESITA B.	FILIPINO	60	6,000.00	0.01	Common
REYES, FLORENTINO P.	FILIPINO	58	5,800.00	0.01	Common
SARMIENTO, MARIVIC C.	FILIPINO	41	4,100.00	0.00	Common
ESPIDILLON, ALEJANDRO H.	FILIPINO	36	3,600.00	0.00	Common
SANTOS, JANNETH R.	FILIPINO	36	3,600.00	0.00	Common
CONTRERAS, NORA V.	FILIPINO	31	3,100.00	0.00	Common
FAUSTO, ROMEL G.	FILIPINO	31	3,100.00	0.00	Common
GRAVADOR, ARNEL Y.	FILIPINO	29	2,900.00	0.00	Common
CABUHAT, EUFROCINA A.	FILIPINO	26	2,600.00	0.00	Common
MENDOZA, HANZ JOSEPH F.	FILIPINO	25	2,500.00	0.00	Common
MIEN, DAISYREE M.	FILIPINO	22	2,200.00	0.00	Common
ROGELIO, FLORITA P.	FILIPINO	21	2,100.00	0.00	Common
HEIRS OF EDITHA T. SANTIAGO	FILIPINO	20	2,000.00	0.00	Common
MARCELO, EDGAR Y.	FILIPINO	18	1,800.00	0.00	Common
CRUZ, ELIJAH MAE B.	FILIPINO	17	1,700.00	0.00	Common
BERNABE, VERONICA C.	FILIPINO	15	1,500.00	0.00	Common
MENDOZA, ALLAN JOSEPH F.	FILIPINO	15	1,500.00	0.00	Common
RODRIGUEZ, MARIO P.	FILIPINO	11	1,100.00	0.00	Common
BACCOL, JAYA M.	FILIPINO	10	1,000.00	0.00	Common
CABILOS, VANESSA B.	FILIPINO	10	1,000.00	0.00	Common
CLETO, SIENALYN R.	FILIPINO	10	1,000.00	0.00	Common
CRUZ, MARY JANE C.	FILIPINO	10	1,000.00	0.00	Common
DOMINGO, LAARNI N.	FILIPINO	10	1,000.00	0.00	Common
DOMINGO, OSCAR C.	FILIPINO	10	1,000.00	0.00	Common
HERNANDEZ, GERRY LOU V.	FILIPINO	10	1,000.00	0.00	Common
LUNA, ISABELLE NICOLE M.	FILIPINO	10	1,000.00	0.00	Common
POLICARPIO, JHOANNA LISSA F.	FILIPINO	10	1,000.00	0.00	Common
RAMOS, MA. ANDREA S.M.	FILIPINO	10	1,000.00	0.00	Common
OCRAY, GERALDINE Y.	FILIPINO	10	1,000.00	0.00	Common
SANCHEZ, PEACHY VELLE L.	FILIPINO	10	1,000.00	0.00	Common
SANTIAGO, ARDEN B.	FILIPINO	10	1,000.00	0.00	Common
ZUÑIGA, ROBERTO P.	FILIPINO	10	1,000.00	0.00	Common
SANTIAGO, JOHN RUDOLF R.	FILIPINO	9	900.00	0.00	Common
MEDIOS, MICHELLE P.	FILIPINO	5	500.00	0.00	Common
NACINO, RYIEL VICTOR K.	FILIPINO	5	500.00	0.00	Common
BAYANI, ABIGAIL JUSTINE C.	FILIPINO	2	200.00	0.00	Common
NICASIO, JUNE PEARL M.	FILIPINO	2	200.00	0.00	Common
AVENA, JOSEFINA C.	FILIPINO	1	100.00	0.00	Common
TOTAL		1,000,000	100,000,000.00	100.00	

PRODUCTS AND SERVICES

❑ PESO DEPOSITS

- **Demand Deposit** – A deposit account otherwise known as current or checking account. This refers to deposit payable upon demand, non-interest bearing and subject to withdrawal thru check. The depositor must maintain a minimum deposit balance so as not to be charged with a corresponding service fee within the month.
- **Savings Deposit** – A deposit account opened and maintained to accumulate funds. Deposit of any amount whether in cash or check may be made for which a passbook of records of transactions is issued. Such deposit is interest-bearing and may be withdrawn anytime upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook, either by the depositor or his personal authorized representative.
- **Special Savings Deposit** – Deposit that may be made for a specified and fixed determinable future term at the option of the depositor, the shortest being thirty (30) days, for which a passbook of records of transactions is issued.
- **Long-Term Time Deposit** – This refers to long-term non-negotiable tax-exempt certificates of time deposit with denominations in increments of ₱1,000.00 for a minimum maturity of five (5) years. Its interest shall be computed at prevailing Bank rates and payable upon presentment of covering passbook on specified term at the option of the depositor. Exemption from withholding tax shall be invalidated by pre-termination.

BANK WEBSITE

The Bank's digital presence is thoughtfully designed to bring timely information and updates closer to our clients. While the Bank continues to operate under a traditional banking model with no online transaction services, our official platforms serve as key channels for communication and information dissemination. These are intended to keep clients informed about our latest product offerings, service advisories, and institutional announcements:

- **Official Website:** www.hiyasbank.com
- **Facebook Page:** facebook.com/hiyasbankingcorp

Through these platforms, clients can stay connected and up to date with the Bank's activities, community initiatives, and important advisories, as well as engage with us directly for inquiries and support, reaffirming our commitment to transparency and client engagement.

❑ LOANS

- **Agrarian Reform Loan** – This refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives, and compact farms, as provided for in P.D. 717.
- **Agricultural Credit Loan** – This refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing, storage and distribution of products resulting from these activities.
- **Medium and Small-Scale Enterprise Loan** – This refers to amortized cost of loans granted to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership and corporation.
- **Loans to Private Corporation** – This refers to the amortized cost of loans granted to private corporations, which shall include partnerships, single proprietorships and cooperatives, with total asset excluding land, exceeding ₱100,000,000.00. This type of loan shall be adopted commencing November 2025.
- **Loan for Housing Purposes** – This refers to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction, or improvement of a residential unit.
- **Loan for Other Purposes (Micro Enterprise Loan)** – This refers to the amortized cost of other loans granted to individuals that cannot be classified under any of the foregoing classifications. The same shall be presented under Other Micro Enterprise Loan in the Financial Reporting Package.
- **Loans for Consumption** – This refers to the amortized cost of loans granted to individuals for consumption purposes.

BANKING UNITS

❑ HEAD OFFICE	<p>📍 Gov. Fortunato F. Halili Ave., Bagbaguin, Sta. Maria, Bulacan</p> <p>☎ (044) 762-3667 / (044) 815-5426</p> <p>✉ hiyasbank@yahoo.com</p>
❑ MALOLOS BRANCH	<p>📍 100 Roberto-Maria Building, Mabini St., Guinhawa, City of Malolos, Bulacan</p> <p>☎ (044) 794-6181</p> <p>✉ hiyasbankmalolos@gmail.com</p>
❑ NEW MARKET SITE BRANCH	<p>📍 New Public Market Site, Poblacion, Sta. Maria, Bulacan</p> <p>☎ (044) 641-3176</p> <p>✉ hiyasbankmarket@gmail.com</p>
❑ SAN JOSE DEL MONTE BRANCH	<p>📍 Quirino Highway, Tungkong Mangga, City of San Jose del Monte, Bulacan</p> <p>☎ (044) 797-3588</p> <p>✉ hiyasbanksjdm@gmail.com</p>
❑ NORZAGARAY BRANCH	<p>📍 A. Payumo Street, Poblacion, Norzagaray, Bulacan</p> <p>☎ (044) 815-4457</p> <p>✉ hiyasbankgaray@gmail.com</p>

OUR BOARD OF DIRECTORS



OUR BOARD OF DIRECTORS



LORETO DJ. GUBALLA, 68

Chairperson of the Board
Independent Director
(Since May 3, 2021)

Ms. Loreto DJ. Guballa is a graduate of Far Eastern University where she earned her degree of Bachelor of Science in Business Administration, major in Accounting. Prior to her current position, she was an employee of the Bank from January 1990 until her retirement on December 31, 2017, during which she gained extensive experience in various banking operations and functions. She has also attended numerous banking-related seminars, trainings, and workshops conducted by the Bangko Sentral ng Pilipinas (BSP), the Chamber of Thrift Banks (CTB), and other reputable institutions, further enhancing her professional knowledge and expertise in the banking industry.



ANGELICA HALILI CRUZ, 89

Director
Incorporator
(Since April 21, 1976)

Ms. Angelica Halili Cruz is a graduate of University of the East where she earned her degree of Bachelor of Science in Commerce, major in Accounting. She is a Certified Public Accountant (CPA) and is the sole surviving incorporator of the Bank. Prior to the establishment of Hiyas Banking Corporation, she was affiliated with Sta. Maria Rural Bank, Inc., where she gained extensive experience in various banking operations and functions. She has also attended numerous banking-related seminars, trainings, and workshops conducted by the Bangko Sentral ng Pilipinas (BSP), the Chamber of Thrift Banks (CTB), and other reputable institutions, further enhancing her professional knowledge and expertise in the banking industry. In addition to her banking career, she is also engaged in various rental business ventures, demonstrating her entrepreneurial acumen and business management experience.



MA. JOSEFA A. HALILI, 81

Director
(Since December 28, 1979)

Ms. Ma. Josefa A. Halili is a graduate of University of Santo Tomas, where she earned her degrees in Bachelor of Arts and Bachelor of Science in Medical Technology. Although her academic background is not in business, she has established extensive experience in business management as the owner and President of several companies, including Halrey Construction, Inc., H & A Ventures, Inc., and Lea Business Corporation. She has also served as a Director of Sta. Maria Rural Bank, Inc. since March 27, 2008, through which she has gained valuable experience and exposure to various banking operations and functions. In addition, she has attended numerous banking-related seminars, trainings, and workshops conducted by the Bangko Sentral ng Pilipinas (BSP), the Chamber of Thrift Banks (CTB), and other reputable institutions, further enhancing her professional knowledge and expertise in the banking industry.

OUR BOARD OF DIRECTORS



JUANITA L. CRUZ, 87

Director
(Since January 1, 1985)

Ms. Juanita L. Cruz is a graduate of the University of the East, where she earned her degree of Bachelor of Science in Commerce. Prior to becoming a full-time Director of the Bank, she served as Treasurer and Vice President for Finance positions through which she acquired substantial experience in banking operations and core financial functions. She has likewise attended banking-related seminars, trainings, and workshops conducted by the Bangko Sentral ng Pilipinas (BSP), the Chamber of Thrift Banks (CTB), and other reputable institutions, as well as various in-house training programs of the Bank. These exposures have significantly strengthened her knowledge of banking principles, regulatory compliance, and financial management.



PATRIA H. PEREZ, 81

Director
(Since January 7, 2000)

Ms. Patria H. Perez is a graduate of the Philippine Women's University, where she earned her degree of Bachelor of Science in Chemistry. She also obtained a Master's Degree in Chemistry from Vassar College, Poughkeepsie, New York, USA. Although her academic background is not in business, she has developed experience in business management as the former owner of P.H.P. Store for motorcycle and bicycle spare parts, as well as the proprietor of P.H.P. Apartment. She likewise served as Vice President for Branch Operations and Branch Operations Head of the Bank from May 2, 2010 to May 6, 2017, through which she gained extensive exposure to banking operations and functions. In addition, she has attended banking-related seminars, trainings, and workshops conducted by the BSP, CTB, and other reputable institutions, as well as in-house training programs of the Bank, further enhancing her professional knowledge and expertise in the banking industry.



AZUCENA P. MANGUBAT, 83

Director
(Since June 1, 1980)

Ms. Azucena P. Mangubat is a graduate of the Philippine Women's University, where she earned her degree of Bachelor of Science in Pharmacy. Although her academic background is not in business, she has gained exposure to business operations through her rental business, JM's Building. Prior to becoming a full-time Director of the Bank, she served as Treasurer, Secretary, and Public Relations Officer of the Bank, through which she acquired substantial experience in banking operations and core financial functions. In addition, she has attended banking-related seminars, trainings, and workshops conducted by the BSP, CTB, and other reputable institutions, as well as in-house training programs of the Bank, further enhancing her professional knowledge and expertise in the banking industry.

OUR BOARD OF DIRECTORS



TERESITA B. HALILI, 76

Director
(Since August 11, 2023)

Ms. Teresita B. Halili is a graduate of the University of Santo Tomas, where she earned her degree of Bachelor of Science in Medical Technology. Although her academic background is not in business, she has gained exposure to business operations through her involvement in the real estate and rentals sector, as well as the bakery and restaurant industry, where she held officer positions such as Treasurer and Vice President. She also served as a Director of Sta. Maria Rural Bank, Inc. Prior to her election as Director of the Bank, she acquired practical experience in financial and management functions through these engagements. She has likewise attended banking-related seminars, and trainings conducted by the BSP, CTB, the Rural Bankers Association of the Philippines, and other reputable institutions, as well as in-house training programs of the Bank, further strengthen her knowledge of banking and regulatory compliance, and financial management.



OSCAR C. DOMINGO, 67

Independent Director
(Since May 5, 2024)

Mr. Oscar C. Domingo is a graduate of the University of the East, where he earned his degree of Bachelor of Science in Business Administration. Prior to joining the Bank as Independent Director, he held various positions at Equitable Banking Corporation and Philippine Business Bank from 1983 to 2012, and served as a part-time Consultant at Eleven Twenty-Eight Commercial, Inc. from 2014 to 2022, through which he acquired substantial experience in business and banking operations and core financial functions. He has likewise attended banking-related seminars, trainings, and workshops conducted by the BSP, CTB, and other reputable institutions, as well as various in-house training programs of his previous employers and the Bank, further strengthening his knowledge of banking and regulatory compliance, and financial management.



ANGELINA S. DOMINGO, 69

Independent Director
(Since May 4, 2025)

Ms. Angelina S. Domingo is a graduate of Far Eastern University, where she earned her degree of Bachelor of Science in Commerce, major in Accounting. Prior to her current position as Independent Director, she served the Bank as an employee from June 14, 1978 until her retirement on December 31, 2016, during which she gained extensive experience in various banking operations and functions. She has also attended numerous banking-related seminars, trainings, and workshops conducted by the Bangko Sentral ng Pilipinas (BSP), the Chamber of Thrift Banks (CTB), and other reputable institutions, further enhancing her professional knowledge and expertise in the banking industry.

OUR SENIOR MANAGEMENT



ARNEL Y. GRAVADOR

Vice President and Chief Compliance Officer

- 45 years old, Filipino
- Graduate of Bachelor of Science in Commerce, major in Financial Accounting



PATRIA H. PEREZ

Director and President

- 81 years old, Filipino
- Graduate of Bachelor of Science in Chemistry



CRISANTO P. POLICARPIO, JR.

Vice President and General Manager

- 53 years old, Filipino
- Graduate of Bachelor of Science in Accountancy

OUR SENIOR MANAGEMENT



ELEANOR C. MENDOZA

Corporate Secretary

- 62 years old, Filipino
- Graduate of Bachelor of Science in Business Administration



GERARDO M. DE LEON

Treasurer

- 67 years old, Filipino
- Graduate of Bachelor of Science in Industrial Engineering



JOANNE B. DE LEON

Chief Internal Auditor

- 42 years old, Filipino
- Graduate of Bachelor of Science in Accountancy
- Certified Public Accountant

OUR SENIOR MANAGEMENT



JENELYN M. DE GUZMAN

Risk Management Officer

- 41 years old, Filipino
- Graduate of Bachelor of Science in Accountancy



MANUEL DV. ERANES

Chief Security Officer

- 55 years old, Filipino
- Graduate of Bachelor of Science in Marine Nautical



PEACHY VELLE L. SANCHEZ

Comptroller

- 32 years old, Filipino
- Graduate of Bachelor of Science in Business Administration, major in Marketing

CASH DEPARTMENT



NORA V. CONTRERAS
Head Cashier



MARVIN SETH D.R. OSORIO
Head Teller/Check Verifier



MICHELLE P. MEDIOS
New Accounts Clerk



DHAN PAOLO D.C. MARTINEZ
Check Clearing Officer

LOANS DEPARTMENT



ABBYGAIL D. PASTORPIDE
Loan Officer



CHRISTINE JOY MENDOZA
Assistant Loan Officer



DHAN PAOLO D.C. MARTINEZ
C.I./Appraiser I



JOHN LLOYD G. DUMINDIN
C.I./Appraiser II

LOANS DEPARTMENT



JOSELITO R. POLICARPIO
Credit Analyst



LAARNI N. DOMINGO
Loan Processing Officer



HANZ JOSEPH F. MENDOZA
Liaison Officer



KATRINA B. BAYUMBON
Loan Assistant



OLIVE D.L. CABATAY
Marketing & Collection Representative

ACCOUNTING DEPARTMENT and COMPLIANCE OFFICE



RONALD S. FLORES
Chief Accountant



JUNE PEARL M. NICASIO
Accounting Assistant



SHALIMAR S. SALAZAR
Compliance Assistant

HUMAN RESOURCES, LEGAL & COMMUNICATION OFFICE



GERRY LOU V. HERNANDEZ
HR Officer



ATTY. JAY CESAR I. BERON
Legal Counsel



HANZ JOSEPH F. MENDOZA
Legal Assistant



REYNALDO D. MERCED, JR.
IT Technical Support

MALOLOS BRANCH



ALLAN JOSEPH F. MENDOZA
Branch Manager



CIELITO L. ALEJANDRINO
Branch Cashier



JAN ANGELO P. RODA
Branch New Accounts & Loan
Processing Clerk



JORIEL LYKA G. CAYLAO
Branch Accountant



ISABELLE NICOLE M. LUNA
Branch Teller

NEW MARKET SITE BRANCH



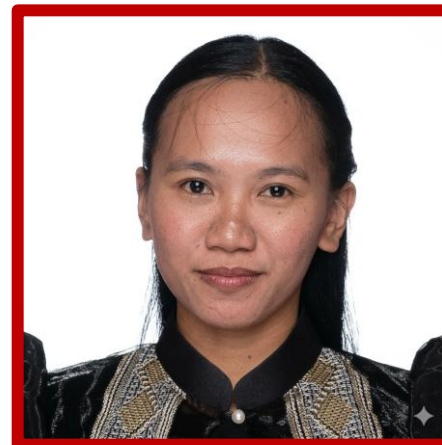
RAYMOND CHRISTIAN H. GERONIMO
Acting Branch Manager



MARY ANE D.C. AMADOR
Branch Cashier



ABIGAIL JUSTINE C. BAYANI
Branch New Accounts & Loan
Processing Clerk



JHOANNA LISSA F. POLICARPIO
Branch Accountant



MARY JNAE C. CRUZ
Branch Teller

SAN JOSE DEL MONTE BRANCH



SIENALYN R. CLETO
Branch Manager



GERALDINE Y. OCRAY
Branch Cashier



REVIELYN S.P. OLIVARES
Branch New Accounts & Loan
Processing Clerk



MEL B. RESURRECCION
Branch Accountant



PRINCESS JOY H. BAUTISTA
Branch Teller

NORZAGARAY BRANCH



VERONICA C. BERNABE
Branch Manager



ARDEN B. SANTIAGO
Branch Cashier



XANDRA D.M. RAMOS
Branch New Accounts & Loan
Processing Clerk



JANICE D.S. SAN PEDRO
Branch Accountant



VANESSA B. CABILLOS
Branch Teller

OUR MESSENGERS



RODOLFO D.C. EVANGELISTA
Branch Messenger – Malolos Branch



ROBERTO P. ZUÑIGA
Branch Messenger – New Market
Site Branch



JOHN RHUDOLF R. SANTIAGO
Branch Messenger – Head Office



MELCHOR A. VILLACAMPA
Branch Messenger – San Jose del
Monte Branch



MARCIAL F. PASCUAL, JR.
Branch Messenger – Norzagaray Branch

**Audited
Financial
Statement**

*DECEMBER 31, 2025 &
DECEMBER 31, 2024
and
INDEPENDENT AUDITOR'S
REPORT*

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: HIYASBANKINGCORP@YAHOO.COM

Cc: JOANNEDELEON1018@GMAIL.COM

Date: Friday, May 8, 2026 at 12:46 PM GMT+8

Hi HIYAS BANKING CORPORATION,

Valid files

- EAFS000573246TCRTY122025-01.pdf
- EAFS000573246AFSTY122025.pdf
- EAFS000573246TCRTY122025-03.pdf
- EAFS000573246TCRTY122025-02.pdf
- EAFS000573246ITRTY122025.pdf
- EAFS000573246OTHY122025.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-66DL75903YVSVNNRQ31RXMP40NP3XZQS4**

Submission Date/Time: **May 08, 2026 12:45 PM**

Company TIN: **000-573-246**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

**HIYAS BANKING CORPORATION (A Thrift Bank)
BULACAN – PHILIPPINES**

**FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

AND

INDEPENDENT AUDITOR'S REPORT ISSUED BY:





HIYAS BANKING CORPORATION

"A THRIFT BANK"

Gov. Fortunato F. Halili Ave. Bagbaguin, Sta. Maria, Bulacan

Telefax 815-5426

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

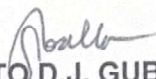
The Management of **HIYAS BANKING CORPORATION (A THRIFT BANK)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2025** and **2024**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

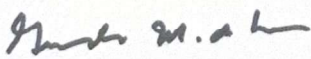
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC), the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.


LORETO D.J. GUBALLA
Chairperson of the Board


PATRIA H. PEREZ
Director/President


GERARDO M. DE LEON
Treasurer

Signed this 10th day of April 2026.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
HIYAS BANKING CORPORATION (A THRIFT BANK)
Gov. Fortunato F. Halili Avenue
Bagbaguin, Sta. Maria, Bulacan

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **HIYAS BANKING CORPORATION** (the Bank), which comprise the statements of financial position as at **December 31, 2025** and **2024**, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **December 31, 2025** and **2024**, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or have no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit is conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audits. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.



Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and BSP Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the BSP under Circular No. 1074, the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 and other disclosure requirements by the BSP as disclosed in Notes 33, 34 and 35, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR, and is not a required part of the basic financial statements. Such information is the responsibility of the Management of the Bank. The information has been subjected by the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

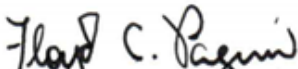
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026 valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:



FLOYD C. PAGUIO

Senior Partner

CPA Certificate No. 115664

Tax Identification Number 243-676-418-000

BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028

SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614/P-002, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit

IC Accreditation No. IC-EA-2025-0086-R (Group A), valid for 2025 to 2027 financial statements audit

PTR No. 5087827, issued on January 14, 2026, Muntinlupa City

April 29, 2026

Muntinlupa City, Metro Manila



NOT VALID WITHOUT SEAL

HIYAS BANKING CORPORATION
(A THRIFT BANK)
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2025 and 2024

(In Philippine Peso)

	Notes	2025	2024 As restated
ASSETS			
Cash and Other Cash Items	6	4,176,859	4,623,863
Due from Bangko Sentral ng Pilipinas (BSP)	7	2,663,939	10,409,950
Due from Other Banks	8	153,677,597	183,630,469
Loans and Receivables - net	9	334,994,642	427,576,359
Other Assets	11	6,453,877	7,084,374
Financial Assets at Amortized Cost	10	423,583,532	427,036,673
Bank Premises, Furniture, Fixtures and Equipment - net	12	49,042,499	50,631,775
Intangible Assets - net	13	5	5
Right-of-use Assets	27	1,067,215	1,833,896
Investment Properties - net	14	29,504,841	30,090,973
Deferred Tax Assets	29	45,483,752	54,051,944
TOTAL ASSETS		1,050,648,758	1,196,970,281
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposit Liabilities	15	788,866,070	861,235,192
Accrued Interest Expense	17	6,607,378	6,785,286
Bills Payable	16	58,869,114	129,690,841
Lease Liability	27	1,230,856	2,028,697
Retirement Benefit Obligation	18	16,815,007	17,438,670
Deferred Tax Liability	29	7,790	-
Other Liabilities	19	5,083,259	6,940,185
TOTAL LIABILITIES		877,479,474	1,024,118,871
STOCKHOLDERS' EQUITY			
Capital Stock	21	100,000,000	100,000,000
Additional Paid-in Capital	21	73,177	73,177
Retained Earnings Reserve		9,388,814	9,371,341
Retained Earnings Free		63,707,293	63,406,892
TOTAL STOCKHOLDERS' EQUITY		173,169,284	172,851,410
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,050,648,758	1,196,970,281

(See Notes to the Financial Statements)

HIYAS BANKING CORPORATION
(A THRIFT BANK)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

	Notes	2025	2024
INTEREST INCOME			
Loans and Receivables	9	46,758,283	43,996,571
Financial Assets at Amortized Cost	10	25,900,581	27,705,127
Bank Deposits	8	1,708,120	1,559,583
		74,366,984	73,261,281
INTEREST EXPENSE			
Deposit Liabilities	15,23	18,159,462	18,507,555
Bills Payable	16,23	2,916,391	10,540,073
Lease Liability	23,27	96,159	140,568
		21,172,012	29,188,196
NET INTEREST INCOME		53,194,972	44,073,085
PROVISION FOR CREDIT LOSSES		24	954,754
NET INTEREST INCOME AFTER PROVISION		52,240,218	43,118,331
OTHER INCOME		22	11,918,264
TOTAL INCOME BEFORE OPERATING EXPENSES		64,158,482	59,792,243
OPERATING EXPENSES			
Compensation and Fringe Benefits	25	24,887,033	26,344,321
Taxes and Licenses	33	4,918,352	5,628,263
Depreciation	12, 13, 14, 27	2,860,469	2,623,906
Other Operating Expenses	26	16,654,588	13,391,435
		49,320,442	47,987,925
INCOME BEFORE TAXES		14,838,040	11,804,318
INCOME TAX EXPENSE		28	(14,488,572)
NET INCOME		349,468	8,826,836
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		349,468	8,826,836

(See Notes to the Financial Statements)

HIYAS BANKING CORPORATION
(A THRIFT BANK)
STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2025 and 2024

(In Philippine Peso)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings Reserve	Retained Earnings Free	Total
Balances at January 1, 2024	21	95,968,600	73,177	8,930,000	55,063,861	160,035,638
Stock issuance		4,031,400	-	-	-	4,031,400
Additional reserves		-	-	441,341	(441,341)	-
Total comprehensive income		-	-	-	8,826,836	8,826,836
Balances at December 31, 2024, as previously presented		100,000,000	73,177	9,371,341	63,449,356	172,893,874
Prior period adjustment	32	-	-	-	(42,464)	(42,464)
Balances at December 31, 2024, as restated		100,000,000	73,177	9,371,341	63,406,892	172,851,410
Additional reserves		-	-	17,473	(17,473)	-
Expiration of MCIT	28	-	-	-	(31,594)	(31,594)
Total comprehensive income		-	-	-	349,468	349,468
Balances at December 31, 2025	21	100,000,000	73,177	9,388,814	63,707,293	173,169,284

(See Notes to the Financial Statements)

HIYAS BANKING CORPORATION
(A THRIFT BANK)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

(In Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		14,838,040	11,804,318
Adjustments for:			
Interest income	8,9,10	(74,366,984)	(73,261,281)
Interest expense	23	21,172,013	29,188,196
Gain on sale of foreclosed assets	14,22	(4,290,344)	(12,134,543)
Reversal of provision for impairment and credit losses	24	(14,763,499)	(8,383,631)
Depreciation and amortization	12,13,14,27	2,860,469	2,623,906
Accrual of retirement cost	25	1,830,388	2,337,430
Provision for impairment and credit losses	24	954,754	954,754
Operating cash flow before changes in working capital		(51,765,163)	(46,870,851)
Decrease in operating assets:			
Loans and receivables		106,390,461	70,058,091
Other assets		208,054	677,619
Increase (Decrease) in operating liabilities:			
Deposit liabilities		(72,369,122)	(84,298,525)
Accrued interest expense		(177,908)	97,127
Retirement benefit obligation		(2,454,051)	(4,124,127)
Other liabilities		(1,856,926)	525,399
Cash used in operations		(22,024,655)	(63,935,267)
Interest received on loans and receivables	9	46,758,283	43,996,571
Interest paid on deposit liabilities	15,23	(18,159,462)	(18,507,555)
Income taxes paid	28	(5,521,740)	(6,420,331)
Interest received on bank deposits	10	1,708,120	1,559,583
Net cash from (used in) operating activities		2,760,546	(43,306,999)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from financial assets at amortized cost	10	3,453,141	76,978,269
Interest received financial assets at amortized cost	10	25,900,581	27,705,127
Proceeds from re-contracted sales contract receivable	14	-	500,448
Proceeds from sale of investment property	14	6,148,175	13,233,400
Proceeds from sale of bank premises, furnitures, fixtures and equipment	12	6,560	-
Payments of lease liabilities		(894,000)	(878,700)
Acquisitions of bank premises, furniture, fixtures and equipment	12	(303,767)	(436,532)
Acquisitions of investment property	14	(1,479,006)	(3,625,588)
Net cash from investing activities		32,831,684	113,476,424
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable	16	88,178,274	302,969,690
Repayments of bills payable	16	(159,000,000)	(396,000,000)
Interest paid on bills payable	16,23	(2,916,391)	(10,540,073)
Proceeds from issuance of shares	21	-	4,031,400
Net cash used in financing activities		(73,738,117)	(99,538,983)
NET DECREASE IN CASH AND OTHER CASH ITEMS		(38,145,887)	(29,369,558)
CASH AND OTHER CASH ITEMS AT JANUARY 1	6,7,8	198,664,282	228,033,840
CASH AND OTHER CASH ITEMS AT DECEMBER 31	6,7,8	160,518,395	198,664,282

(See Notes to the Financial Statements)

1. CORPORATE INFORMATION

HIYAS BANKING CORPORATION (A THRIFT BANK) (the Bank) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 21, 1976. The principal activities of the Bank as a thrift bank are as follows:

- a) To engage in the business of a Savings and Loan Association as authorized under R.A. no 3779, as amended, such as to grant loans and to receive deposits from the general public, and to pay interest on such rates as may be prescribed under regulations approved by the Monetary Board from time to time;
- b) To encourage and promote the virtues of thrift and the habit of savings among the general public;
- c) To help combat usurious practice by making credit available to the general public at reasonable and legal rates of interest;
- d) To educate the general public, particularly the low-income group, about the wise use of money and the management of financial resources;
- e) To cooperate with the Government, particularly the Bangko Sentral ng Pilipinas (BSP), in the execution of financial policies which will redound to the welfare of the general public;
- f) In general, to do any other acts or things and to exercise any other power as are legally inherent in the business of a savings and loan association organized under the law of Philippines.

The Bank's head office is located at Gov. Fortunato F. Halili Avenue, Bagbaguin, Santa Maria, Bulacan and is domiciled in the Philippines.

The BSP authorized the Bank to operate as a thrift bank on May 29, 1976 through Certificate of Authority No. S-47.

The Bank is composed of four (4) branches and are doing business under the following name and principal location:

No.	Business Unit	Principal Location
1	Hiyas Banking Corporation – Malolos Branch	Mabini St., Guinhawa, City of Malolos, Bulacan
2	Hiyas Banking Corporation – Norzagaray Branch	A. Payumo St., Poblacion, Norzagaray, Bulacan
3	Hiyas Banking Corporation – San Jose Del Monte Branch	Tungkong Mangga, City of San Jose Del Monte, Bulacan
4	Hiyas Banking Corporation – New Market Site Branch	New Public Market Site, Poblacion, Santa Maria, Bulacan

Approval of Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on April 10, 2026.

2. ADOPTION OF NEW AND REVISED PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

The Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS Accounting Standards in general includes all applicable PFRS Accounting Standards, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and Philippine Financial Reporting Interpretations Committee (PFRIC) which have been approved by the PFSRSC or Philippine Financial and Sustainability Reporting Standards Council and adopted by SEC.

These new and revised PFRS Accounting Standards prescribe new accounting recognition, measurement and disclosure requirements applicable to the Bank. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.01 New and amended PFRS Accounting Standards that are Effective for the Current Year

The following new standards impacting the Bank has been adopted in the annual financial statements for the year ended December 31, 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability*

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of PAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying PAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to PFRS 1 to align with and refer to the revised PAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The amendments are not applicable to the Bank.

2.02 New and Revised PFRS Accounting Standards in Issue but not yet Effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised PFRS Accounting Standards that have been issued but are not yet effective. The following new standards will have insignificant impact to the Company's financial statements unless otherwise specifically stated.

- *Amendments to PFRS 9 and PFRS 7 - Amendments to the Classification and Measurement of Financial Instruments*

The amendments in Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7) are:

Derecognition of a financial liability settled through electronic transfer

The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognized) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

Classification of financial assets

- *Contractual terms that are consistent with a basic lending arrangement.*

The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

- *Assets with non-recourse features.*

The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

- *Contractually linked instruments.*

The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

Disclosures

- *Investments in equity instruments designated as FVTOCI*

The requirements in PFRS 7 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.

- *Contractual terms that could change the timing or amount of contractual cash flows.*

The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or FVTOCI and each class of financial liability measured at amortized cost.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

If an entity elects to apply these amendments for an earlier period, it is required to either: apply all the amendments at the same time and disclose that fact or apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with PAS 8, with specific exceptions.

- **Annual improvements to PFRS Accounting Standards – Volume 11**

PFRS 1 First-time Adoption of International Financial Reporting Standards—Hedge accounting by a first-time adopter

For consistency with the requirements in PFRS 9, PFRS 1:B5-B6 were amended to refer to the 'qualifying criteria' for hedge accounting (instead of the 'conditions') and to add cross- references to PFRS 9:6.4.1 to improve the understandability of PFRS 1.

PFRS 7 Financial Instruments: Disclosures—Gain or loss on derecognition

The amendments remove an obsolete cross-reference in PFRS 7:B38 to a paragraph that had been deleted when PFRS 13 was issued and align the wording of this paragraph with the terms used in PFRS 13.

Guidance on implementing PFRS 7—Disclosure of deferred difference between fair value and transaction price

The amendments update PFRS 7:IG14 to make the wording of that paragraph consistent with PFRS 7:28 and improve the internal consistency of the wording in the example in PFRS 7:IG14.

Guidance on implementing PFRS 7—Introduction and credit risk disclosures

The amendments add a statement to PFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7.

The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in PFRS 7:IG20B.

PFRS 9 Financial Instruments—Derecognition of lease liabilities

The amendments add a cross-reference to PFRS 9:3.3.3 in PFRS 9.2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply PFRS 9:3.3.3 and therefore recognized any resulting gain or loss in profit or loss.

PFRS 9 Financial Instruments—Transaction price

The amendments replace 'their transaction price (as defined in PFRS 15)' in PFRS 9.5.1.3 with 'the amount determined by applying PFRS 15' to address inconsistency between PFRS 9.5.1.3 and the requirements of PFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognized as revenue. Additionally, the reference to 'transaction price' (as defined in PFRS 15) is deleted from Appendix A of PFRS 9.

PFRS 10 Consolidated Financial Statements—Determination of a 'de facto agent'

The amendments address concerns that the requirements in PFRS 10:B73-B74 might, in some situations, be contradictory. PFRS 10:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of PFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update PFRS 10:B74 to use less conclusive language and to clarify that the relationship described in PFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

PAS 7 Statement of Cash Flows—Cost method

The amendment replaces the term 'cost method' with 'at cost' in PAS 7:37 in line with the removal of the definition of 'cost method' from the PFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. An entity is required to apply the amendments to PFRS 9:2.1(b) (ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. No specific transition provisions are provided in respect of the other amendments.

The amendments are effective for annual periods beginning on or after January 1, 2026.

- **Amendments to PFRS 9 and PFRS 7 – Contracts Referencing Nature-dependent Electricity Amendments to PFRS 9 Financial Instruments**

The following requirements of PFRS 9 are affected by the amendments:

- The own-use requirements in PFRS 9 are amended to include the factors an entity is required to consider when applying PFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of electricity is nature-dependent; and

- The hedge accounting requirements in PFRS 9 are amended to permit an entity using a contract of nature-dependent renewable electricity with specified characteristics as a hedging instrument:
 - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
 - to measure the hedged item using the same volume assumptions as those used for hedging instrument.

- **Amendments to PFRS 7 Financial Instruments: *Disclosures and PFRS 19 Subsidiaries without Public Accountability: Disclosures***

PFRS 7 and PFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

The amendments to the own use exemption are required to be applied retrospectively in accordance with IAS 8 using the facts and circumstances at the date of initial application.

The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

- **PFRS 18 Presentation and Disclosures in Financial Statements**

PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some paragraphs from IAS 1 have been moved to PAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

PFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

- **PFRS 19 Subsidiaries without Public Accountability: Disclosures**

PFRS 19 permits an eligible subsidiary (defined as a subsidiary that does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards) to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The accompanying financial statements have been prepared in accordance with PFRS Accounting Standards, as modified by applicable BSP regulatory relief measures and approved by the SEC in response to the COVID-19 pandemic.

In particular, the Bank has applied the staggered recognition of allowance for credit losses over a maximum period of five (5) years.

Impact of staggered booking of Allowance for Credit Losses (ACL) is as follows:

	As at December 31, 2025		Impact of relief		Amounts had the relief not been availed of
1. Impact on the financial statement line items:					
Loans and receivables	₱	377,689,545	₱	-	₱ 377,689,545
Allowance for credit losses		(44,932,344)		-	(44,932,344)
Provision for credit losses		954,754		-	954,754
Retained earnings free		(63,707,293)		-	(63,707,293)
Deferred tax assets		45,483,752		-	45,483,752
Deferred tax expense (benefit)		-		-	-
Net income (loss)		349,468		-	349,468
2. ACL recognized for the year	₱	954,754	₱	-	₱ 954,754
4. Balance of unrecognized / unamortized ACL	₱	-	₱	-	₱ -

3.02 Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2 *Share-based Payment*, leasing transactions that are within the scope of PFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 *Inventories* or value in use in PAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the “functional currency”). All information presented in Philippine Peso has been rounded to the nearest Peso, except when otherwise specified.

The Bank chose to present its financial statements using its functional currency.

3.04 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires Management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by Management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on Management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.05 Going Concern Assumption

The Bank is not aware of any significant uncertainty that may cast doubts upon the Bank's ability to continue as a going concern.

4. MATERIAL ACCOUNTING POLICIES

Material accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

4.02 Financial Assets

4.02.01 Financial Asset - Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant component or for which the Bank has applied the practical expedient, the Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect a contractual cash flow while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within the time established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

4.02.02 Financial Assets at Amortized Cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized.

The Bank's financial assets at amortized cost includes cash and other cash items, due from BSP, due from other banks, loans and receivables, financial assets at amortized cost and other investments.

4.02.03 Cash and Cash Equivalents

For purposes of reporting cash flows include cash and other cash items, amounts due from BSP and from other banks, and others that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statements of cash flows. Cash and cash equivalents are carried at amortized cost in the statements of financial position.

4.02.04 Accounts Receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4.02.05 Loans and Discounts

Receivables from customers are stated at the outstanding balance reduced by an allowance for probable credit losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items under litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱1 million shall be revalued by an independent appraiser acceptable to BSP.

Sec. 304 of the Manual of Regulation for Banks (MORB), states that the following regulation shall guide BSFIs in determining their past due accounts and non-performing loans.

Accounts considered past due. As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, BSFIs may provide a cure period on a credit product-specific basis, not to exceed thirty (30) days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due: Provided, That any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays: Provided further, That the observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness/es, and that BSFIs shall regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed ten (10) days.

Accounts considered non-performing. Loans, investment, receivables, or any financial assets shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interest for more than ninety (90) days have been capitalized, refinanced or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Any amount sets aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

4.02.06 Sales Contract Receivable

Sales Contract Receivable (SCR) as provided by Sec. 382 of the MORB shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be amortized over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 - Revenue from Contract. Provided, furthermore, the SCR shall be subject to impairment provisions of PFRS 9.

SCRs that meet all the requirements or conditions enumerated below are considered performing assets and therefore, not subject to classification:

- That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
- That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
- That any grace period in the payment of principal shall not be more than two (2) years; and
- That there is no installment payment in arrears either on principal or interest.

4.02.07 Impairment of Financial Assets

The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Bank being categorized as having simple and non-complex operations adopted a simple loan loss methodology and uses the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing ECLs for its loans and other receivables, as required or allowed under PFRS 9. The Bank looks beyond the past due/missed amortizations in classifying exposures and in providing allowance for credit losses.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than thirty (30) days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.02.08 Measurement and Recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

4.02.09 Derecognition of Financial Assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, (i.e. the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

4.02.10 Write-off of Financial Assets

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

4.03 Financial Liabilities and Equity Instruments

4.03.01 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4.03.02 Financial Liabilities Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bank's financial liabilities include deposit liabilities, bills payable, lease liabilities, and accrued interest and other liabilities.

4.03.03 Financial Liabilities Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

4.03.04 Financial Liabilities at Amortized Cost

Financial liabilities at amortized cost (loans and borrowings) is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statements of comprehensive income.

4.03.05 Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

4.03.06 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.03.07 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

4.04 Investment Properties

Investment properties pertain to assets held to earn rental and Real and Other Properties Acquired (ROPA). Settlement of loans through foreclosure or dation in payment shall be booked under the ROPA account as follows:

- (i) Upon entry of judgment in case of judicial foreclosure;
- (ii) Upon execution of the sheriff's certificate of sale in case of extrajudicial foreclosure; and,
- (iii) Upon notarization of the deed of dacion in case of dation in payment (dacion en pago)

If the carrying amount of ROPA exceeds ₱5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

ROPA is recognized as investment property when the asset is yet to be classified as asset held-for-sale nor used in the rendering of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and any impairment in value.

Depreciation is calculated in straight-line basis using the following useful lives from the time of acquisition for the investment properties.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment properties, the Bank accounts for such property in accordance with the policy stated under bank premises, furniture, fixtures and equipment up to the date of change in use.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

However, under Section 382 of the MORB, investment properties shall still be classified as Real and Other Properties Acquired (ROPA) but only accounted for as investment properties under PAS 40.

4.05 Bank Premises, Furniture, Fixtures and Equipment

The initial cost of bank premises, furniture, fixtures, and equipment except land, comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the present value of dismantling and removing the asset and restoring the site.

Subsequent expenditures relating to an item of Bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Expenditures incurred after the Bank premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly determined that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs.

When major improvement is performed, its cost is recognized in the carrying amount of the Bank premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied.

For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

The useful lives and depreciation/amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of Bank premises, furniture, fixtures, and equipment.

The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date. Depreciation is computed on the straight-line method-based on the estimated useful lives of the assets as follows:

Building	10-30 years
Furniture, fixtures and equipment	1-15 years

Fully depreciated assets are retained in the accounts at P1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account, and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of premises, furniture, fixtures, and equipment from the Bank's book of accounts should be approved by the Management.

Leasehold improvements are amortized over the term of the lease or life of the improvements, whichever is shorter.

4.10 Intangible Assets

4.10.01 Intangible Assets Acquired Separately

Intangible assets acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of 1 to 10 years.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite life are not amortized. However, such assets are reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

4.10.02 Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

4.11 Other Assets

Other assets account represents residual accounts which were not classified as a separate line item in the Manual of Accounts as provided in Circular 512 as amended by Circular 520 issued by the Bangko Sentral ng Pilipinas.

4.12 Equity and Reserves

Share capital represents the par value of shares that have been issued.

Additional paid-in capital includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

Retained earnings reserve represents the amount set-aside for contingencies and other purposes.

Retained earnings free represents all current and prior period results of operations as reported in the profit or loss section of the statements of comprehensive income, reduced by the amounts of dividends declared.

4.13 Revenue Recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a product or service to a customer.

4.13.01 Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of revenue can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.13.02 Other Income

Income from other sources is recognized when earned during the period.

4.14 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Bank recognizes expenses in the statements of comprehensive loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.15 Leases

4.15.01 The Bank as Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

4.15.02 The Bank as Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the building of ten to thirty (10-30) years.

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4.16 Employee Benefits

4.16.01 Short-term Benefits

The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses.

4.16.02 Post-employment Benefits

The Bank has no formal retirement plan for its qualified employees. The retirement obligations recognized are computed on the basis of the provisions of R.A. 7641. The minimum retirement pay due to covered employees is equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

"One-half month salary" includes all of the following:

- a. Fifteen (15) days salary based on the latest salary rate;
- b. Cash equivalent of five (5) days or service incentive leave (or vacation leave); and
- c. One-twelfth of the 13th month pay (where the 13th month pay is the total basic salary for the last twelve months of service divided by twelve).

In measuring its defined benefit obligation, the Bank includes both vested and unvested benefits. Also, the following bases were used:

- estimated future salary increases are ignored;
- future service of current employees is not considered; and
- possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits are ignored, except for mortality after service.

4.17 Related Parties and Related Party Transactions

As set forth in BSP Cir. 895, related parties shall cover the Bank's subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct/indirect control over or that exerts direct/indirect control over the Bank; the Bank's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. Such other person/ juridical entity whose interests may pose potential conflict with the interest of the Bank are likewise identified as a related party.

Related party transactions (RPTs) are transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/ contracts;
- Purchases and sale of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements)
- Construction arrangements/ contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials;
- Establishment of joint venture entities;

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.18.01 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

4.18.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences, at the time of the transaction. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The senior management reviewed the Bank's investment property portfolios and concluded that none of the Bank's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Board of Directors have determined that the 'sale' presumption set out in the amendments to PAS 12 is not rebutted. As a result, the Bank has not recognized any deferred taxes on changes in fair value of the investment properties as the Bank is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

4.18.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax-effect is included in the accounting for business combination.

4.19 Events After the Reporting Period

The Bank identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Bank's position at the reporting date, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.01 Critical Judgments in Applying Accounting Policies

The preparation of the Bank's financial statements in accordance with PFRS requires the Management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.02 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Allowance for Probable Credit Losses

The allowance for probable credit losses, which includes both specific and general loan loss reserve represents Management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. Banks with credit operations that may not economically justify a more sophisticated loan loss estimation methodology or where policies fall short of expected standards shall, at a minimum, be subject to the following guidelines:

As a general rule, Especially Mentioned and Substandard-Underperforming [e.g. substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss shall be considered as Stage 3 accounts.

I. Individually Assessed Credit Exposures

- Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payment	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (under-performing)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

For secured loans and other credit exposures:

No. of days unpaid/with missed payment	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (under-performing)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (under-performing)	25%	3
Over a year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

2. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) of the Manual of Regulations for Banks (MORB) shall be provided with allowance for credit losses as follows:

Classification	Minimum ACL	Stage
Especially Mentioned (EM)	5%	2
Substandard – Secured	10%	2 or 3*
Substandard – Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3

*The stage depends on whether the accounts are classified as non-performing (Stage 3) or under-performing (Stage 2).

3. Unsecured loans and other credit accommodations classified as “Substandard” in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to “Doubtful” classification and provided with a 50% allowance for credit losses.
4. Loans and other credit accommodations under litigation which have been classified as “Pass” prior to the litigation process shall be classified as “Substandard” and provided with 25% allowance for credit losses.
5. Loans and other credit accommodations that were previously classified as “Pass” but were subsequently restructured shall have a minimum classification of EM and provided with a 5% allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.
6. Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

II. Collectively Assessed Loans and Other Credit Exposures

1. Current “Pass” loans and other credit exposures should be provided with reasonable level of collective allowance using historical loss experience adjusted for current conditions.
2. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with ACL based on the number of days of missed payments as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payment*	Classification	Minimum ACL	Stage
1 – 30 days	EM	2%	2
31 – 60 days/1 st restructuring	Substandard	25%	2 or 3 ²
61 – 90 days	Doubtful	50%	3 ³
91 days and over/2 nd restructuring	Loss	100%	3

*PAR for microfinance loans; 2 the stage depends on whether the accounts are classified as non-performing (stage 3) or under-performing (stage 2); 3 Sec. 304 (Accounts considered non-performing) provides that doubtful accounts are considered non-performing hence, shall be classified under stage 3 notwithstanding the number of missed amortizations.

For secured loans and other credit exposures:

No. of Days Unpaid/with Missed Payment	Classification	ACL (%)		
		Other types of collateral	Secured by real estate	Stage
31 – 90 days	Substandard (under-performing)	10	10	2
91 – 120 days	Substandard (non-performing)	25	15	3
121 – 360 days	Doubtful	50	25	3
361 days – 5 years	Loss	100	50	3
Over 5 years	Loss	100	100	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

5.02.02 Useful lives of Bank Premises, Furniture, Fixtures and Equipment

The estimated useful lives of the Bank's premises, furniture, fixtures, and equipment are based on the period over which the assets are expected to be available for use, and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimates are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the premises, furniture, fixtures, and equipment.

The residual values, useful lives and depreciation method of Bank's premises, furniture, fixtures, and equipment did not change in 2025 and 2024. For the years ended December 31, 2025 and 2024, depreciation expense of premises, furniture, fixtures and equipment amounted to ₱1,893,035 and ₱1,813,186, respectively, as disclosed in Note 12.

The carrying amount of Bank's premises, furniture, fixtures, and equipment amounted to ₱49,042,499 and ₱50,631,775 as at December 31, 2025 and 2024, respectively, as disclosed in Note 12.

No amortization of intangible assets was recorded for the years ended December 31, 2025 and 2024, as disclosed in Note 13.

The residual values, useful lives and method of intangible asset did not change in 2025 and 2024.

The carrying amount of intangible assets amounted to ₱5 as at December 31, 2025 and 2024, as disclosed in Note 13.

5.02.03 Useful life of Depreciable Investment Properties

The assumptions and estimates used by the Bank in the useful life of investment properties are made to objectively determine the productivity or use of the assets. Section 382 of the MORB provided that Investment Properties - Building and Investment Properties - Other Non-Financial Assets specifically those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than ten (10) and three (3) years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the Bank and BSP regulation shall prevail.

5.02.04 Residual Value of Depreciable Assets

The residual value of an asset is the estimated amount that an entity would obtain from the disposal of the asset, after deducting the estimated costs of disposal. The Management's estimate on the residual values of its assets is based on a conservative approach where residual values assigned to each asset are nil.

5.02.05 Estimating Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present.

Determining the fair value of bank premises, furniture, fixtures, and equipment, investment properties, and creditable withholding taxes, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that bank premises, furniture, fixtures, and equipment, investment properties, and creditable withholding taxes are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

Based on the regular evaluation made by Management, the bank premises, furniture, fixtures, and equipment, investment properties, and creditable withholding taxes have no indications of being impaired as at December 31, 2025 and 2024.

5.02.06 Estimating Realizability of Deferred Tax Assets (DTA)

The Bank reviews the carrying amounts at each balance sheet date and DTA to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DTA to be utilized.

The Bank recognized DTA amounting to ₱45,483,752 and ₱54,051,944 in 2025 and 2024, respectively, as disclosed in in Note 29.

5.02.07 Estimating Retirement Benefits

The estimation of the Bank's retirement benefit obligation requires significant management judgment, particularly in the absence of a recent independent actuarial valuation. The obligation is currently based on internal computations, which may differ from amounts that would be determined using actuarial valuation techniques in accordance with PAS 19.

In prior periods, actuarial valuation reports were obtained through the Bank's former fund manager. However, following the non-renewal of the fund placement, such actuarial reports are no longer available. Based on available information, management's current estimates are generally consistent with the results of prior actuarial valuations.

The estimate is sensitive to key assumptions, including discount rates, salary increase rates, and employee turnover. Changes in these assumptions could materially affect the recognized liability and related expenses.

Management has initiated the engagement of an independent actuary to perform a formal valuation using the projected unit credit method. The results of this valuation may lead to adjustments to the retirement benefit obligation and related disclosures in subsequent periods.

5.03 Contingencies

The adoption of accounting for contingencies in PAS 37 requires Management's prudent judgment and expectation on the outcome of particular contingencies. The relevance of this item becomes paramount significant when it will materially affect the financial standing of the Bank.

6. CASH AND OTHER CASH ITEMS

For the purpose of the statements of cash flows, cash include cash on-hand and in-vault. Other cash items are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Cash and other cash items at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2025		2024	
Cash on-hand and in-vault	P	4,077,797	P	4,479,915
Other cash items		99,062		143,948
	P	4,176,859	P	4,623,863

7. DUE FROM BSP

This account represents the balance of the deposit account maintained with the Bangko Sentral ng Pilipinas (BSP) to satisfy reserve requirements and facilitate the clearing of interbank claims. The Bank's Due from BSP account does not earn interest.

Pursuant to Section 251 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular No. 1175, series of 2023, and further amended by Circular No. 1201, series of 2024, the Bank is required to maintain its statutory reserve requirements as follows:

- 2025: (after March 28): Zero percent (0%)
- 2024: (starting October 25): One percent (1%)
- 2024: (before October 25): Two percent (2%)
- 2023 (after June 30): Two percent (2%)
- 2023 (before June 30): Three percent (3%)

These reserves must be held in the Bank's demand deposit accounts with the BSP, which are among the allowable instruments for reserve cover.

Furthermore, Section 252 of the MORB clarifies that such deposit accounts with the BSP do not function as regular current accounts. The BSP permits drawings from these accounts solely for the settlement of obligations with the BSP or for withdrawals to meet cash requirements.

Additionally, in accordance with Section 2, Paragraph (b) of Appendix 100, a zero allowance for exposures under Stage 1 shall be rare and expected only for exposures with a zero percent (0%) credit-risk weight under the Risk-Based Capital Adequacy Framework. Such exposures include Philippine peso-denominated obligations of the Philippine National Government and the BSP. Accordingly, the Bank's Due from BSP account is classified as having zero credit-risk exposure.

As of December 31, 2025 and 2024, the Bank's deposit account with the BSP amounted to P2,663,939 and P10,409,950, respectively, in compliance with BSP reserve requirements.

8. DUE FROM OTHER BANKS

The due from other banks account represents deposits with other local banks which are being used for its daily operations. Breakdown of this account is as follows:

Type of Deposit	2025	Interest rate	2024	Interest rate
Demand deposits	₱ 19,070,091	0% - 0.125%	₱ 30,085,183	0% - 0.125%
Savings deposits	28,207,469	0.05% - 0.125%	30,579,741	0.05% - 0.125%
Time deposits	106,400,037	0.50% - 5.000%	122,965,545	0.75% - 5.000%
Total	₱ 153,677,597		₱ 183,630,469	

Under Section 382 of the MORB on Credit Exposure Limits to a Single Borrower, loan and credit accommodations including deposits maintained by the bank with another bank shall be subject to the SBL of 25% of the lending/depositing bank's net worth or ₱100 million, whichever is higher. Provided, that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions.

The Bank is compliant with Section 382 of the MORB, ensuring that all loans, credit accommodations, and deposit maintained with other bank are within the prescribed SBL, except to Land Bank of the Philippines (LBP) account, which serves as its clearing bank and is therefore not subject to the SBL.

A portion of the "Due from Banks" account, amounting to ₱62,245,305, is pledged as collateral. This specifically pertains to a deposit maintained with the Land Bank of the Philippines under a High-Yield Savings Account (HYSA). The balance is currently held as a Time Deposit and is subject to a deposit hold-out agreement, serving as collateral for the bills payable. Consequently, this amount is considered restricted and is not available for general use by the Bank.

Interest income due from other banks for the years ended December 31, 2025 and 2024 amounted to ₱1,708,120 and ₱1,559,583, respectively, and presented as Interest income – bank deposits in the Statement of Comprehensive Income.

9. LOANS AND RECEIVABLES - net

The loans and receivables are stated at outstanding balances, net of estimated allowance for credit losses and unearned income and discounts. The account is broken down as follows:

	2025	Interest rate		2024	Interest rate
Receivable from customers:					
Current loans	₱ 259,848,842	7.14%-22.42%	₱	298,413,288	7.07%-22.42%
Past due loans	38,503,146	8.93%-26.00%		95,148,818	8.93%-26.00%
Items in litigation	17,071,059	9.17%-26.82%		10,790,285	9.00%-26.82%
	₱ 315,423,047		₱	404,352,391	
Other Receivables:					
Sales contract receivables	₱ 53,696,176	8%-14%	₱	71,376,836	8%-14%
Accrued interest receivable/income	7,524,698			6,681,137	
Accounts receivable	1,045,624			1,669,643	
	₱ 62,266,498		₱	79,727,616	
	₱ 377,689,545		₱	484,080,007	
Less: Allowance for impairment/credit losses	(42,694,903)			(56,503,648)	
	₱ 334,994,642		₱	427,576,359	

The total allowance for credit losses of ₱42,694,903 and ₱56,503,648 for the years ended December 31, 2025 and 2024, respectively, are composed of specific and general loan loss provisions in compliance with the MORB (Sec. 143 Appendix 15). Allowance for credit losses for loans and receivables consists of:

	Note	2025		2024
Receivable from customers:				
Specific		₱ 19,831,595	₱	33,514,681
General		3,451,184		3,451,184
		₱ 23,282,779	₱	36,965,865
Sales contract receivable	24	18,368,974		18,368,974
Accounts receivable	24	1,043,150		1,160,521
Allowance for uncollected interest	24	-		8,288
		₱ 42,694,903	₱	56,503,648

Both general and specific loan loss reserves are adequate to cover the required reserve as provided by Sec. 143 of the MORB.

The movements in the allowance for credit losses for loans and receivables are shown below:

	2025		2024
Balance at January 1	P 56,503,648	P	65,109,486
Provisions during the year	954,754		954,754
Reversal of provision	(14,763,499)		(8,380,414)
Write-off	-		(1,180,178)
Balance at December 31	P 42,694,903	P	56,503,648

Interest income on loans and receivables consist of:

	2025		2024
Receivable from customers	P 41,724,206	P	38,740,366
Sales contract receivable	5,034,077		5,256,205
	P 46,758,283	P	43,996,571

9.01 Receivable from Customers

Movement in the receivable from customers is shown below:

	2025		2024
Receivable from customers	P 315,423,047	P	404,352,391
Less: Allowance for credit losses	(23,282,779)		(36,965,865)
Receivable from customers - net	P 292,140,268	P	367,386,526

The following tables show the breakdown of receivables as to security and as to concentration of credits to certain industry/economic sector:

As to Security:

	2025	% of Total Loans		2024	% of Total Loans
Real estate mortgage	P 293,651,572	93.10%	P	388,347,593	96.04%
Other collateral	13,204,791	4.19%		12,911,256	3.19%
Unsecured	8,566,684	2.72%		3,093,542	0.77%
Total loans and receivables	P 315,423,047	100%	P	404,352,391	100%

As to Concentration of Credits to Certain Industry/Economic Sector:

	2025	% of Total Loans	% as to Tier 1 Capital	2024	% of Total Loans	% as to Tier 1 Capital
Agriculture, forestry and fishing	₱ 5,175,969	1.64%	4.05%	₱ 13,536,466	3.35%	11.39%
Mining and quarrying	-	0.00%	0.00%	-	0.00%	0.00%
Manufacturing	3,104,563	0.98%	2.43%	2,589,746	0.64%	2.18%
Electricity, gas, steam and air-conditioning supply	-	0.00%	0.00%	-	0.00%	0.00%
Water supply, sewerage, waste management and remediation activities	-	0.00%	0.00%	-	0.00%	0.00%
Construction	85,082,668	26.97%	66.63%	106,581,161	26.36%	89.68%
Wholesale and retail trade, repair of motor vehicles, motorcycles	53,918,050	17.09%	42.22%	80,938,036	20.02%	68.11%
Accommodation and food service activities	10,697,734	3.39%	8.38%	10,718,250	2.65%	9.02%
Transportation and storage	11,298,762	3.58%	8.85%	16,709,973	4.13%	14.06%
Information and communication	-	0.00%	0.00%	-	0.00%	0.00%
Financial and insurance activities	-	0.00%	0.00%	-	0.00%	0.00%
Salary-based general personal consumption	45,927,886	14.56%	35.97%	60,117,790	14.87%	50.59%
Real estate activities	81,212,953	25.75%	63.60%	88,279,812	21.83%	74.28%
Professional, scientific, and technical activities	93,237	0.03%	0.07%	188,133	0.05%	0.16%
Administrative and support service activities	3,363,516	1.07%	2.63%	8,589,278	2.12%	7.23%
Public administration and defense; compulsory social security	-	0.00%	0.00%	-	0.00%	0.00%
Education	1,414,208	0.45%	1.11%	2,953,237	0.73%	2.49%
Human health and social work activities	6,466,627	2.05%	5.06%	8,515,201	2.11%	7.17%
Arts, entertainment and recreation	403,996	0.13%	0.32%	502,755	0.12%	0.42%
Other service activities	7,262,878	2.30%	5.68%	4,132,553	1.02%	3.48%
Activities of households as employers; undifferentiated goods-and-services-producing activities for households for own use	-	0.00%	0.00%	-	0.00%	0.00%
Activities of extra-territorial organizations and bodies	-	0.00%	0.00%	-	0.00%	0.00%
Total	₱ 315,423,047	100.00%		₱ 404,352,391	100.00%	

Amount of salary-based general personal consumption is only extended to total amount because there's no corresponding industry classification provided under BSP Memorandum No. M-2014-009.

The BSP considers that loan concentration exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio except for real estate loans.

9.02 Sales Contract Receivables (SCR)

SCRs represent the balance of the selling price of ROPA under an agreement wherein the title to the property is transferred to the buyers only upon full payment of the account.

	Note	2025	2024
Sales contract receivable (discounted)		P 53,696,176	P 71,376,836
Less: Allowance for credit losses	24	18,368,974	18,368,974
Sales contract receivable - net		P 35,327,202	P 53,007,862

The movements in allowance for credit losses on SCR are as follows:

	2025	2024
Balance at January 1	P 18,368,974	P 24,257,896
Reversal of provision	-	(5,888,922)
Balance at December 31	P 18,368,974	P 18,368,974

Accounts receivables pertain to receivables from borrowers like insurance premium and Real Estate Tax Receipt (RETR), which the Bank advances on behalf of its clients.

10. FINANCIAL ASSETS AT AMORTIZED COST - net

The account is composed of the following securities from:

	Note	2025	2024
Fixed treasury notes		P 341,477,532	P 344,661,892
Retail treasury bonds		82,106,000	82,374,781
Investment in GOCCs		1	30,000,000
		P 423,583,533	P 457,036,673
Less: Allowance for credit losses	24	1	30,000,000
		P 423,583,532	P 427,036,673

The effective interest rate on these investments are 3.500% to 11.250% and 3.500% to 12.179% for years ended December 31, 2025 and 2024, respectively.

No fixed treasury notes were pledged as collateral for the Bank's rediscounted loans as of the reporting date.

The Bank holds investments in Government-Owned and Controlled Corporations (GOCCs) consisting of financial instruments issued by these GOCCs. The Bank has acquired these investments with the intention of holding them until maturity.

Management assessed that no additional impairment loss on the Bank's financial assets at amortized cost is required to be recognized in 2025 and 2024.

11. OTHER ASSETS

The details of the Bank's other assets are shown below:

	2025	2024
Non-Financial Assets:		
Prepaid income tax	P 4,400,611	P 5,231,915
Stationeries and supplies	933,674	1,058,627
Prepaid expenses	265,027	209,383
Documentary stamps	117,037	161,389
Petty cash fund	17,000	17,000
Others	720,528	406,060
	P 6,453,877	P 7,084,374

Others pertain to other investment on Credit Information Corporation (CIC), meter deposit for water and electricity, rental and security deposit, and employee uniforms.

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT- net

The carrying amounts of the Bank's bank premises, furniture, fixtures and equipment are as follows:

	Land		Building		Furniture, Fixtures and Equipment		Leasehold Improvements		Total
Cost									
Balance, January 1, 2025	P	33,090,460	P	41,883,587	P	24,233,856	P	139,597	P 99,347,500
Additions		-		-		303,767		-	303,767
Disposal		-		-		(219,085)		-	(219,085)
Balance, December 31, 2025	P	33,090,460	P	41,883,587	P	24,318,538	P	139,597	P 99,432,182
Accumulated depreciation									
Balance, January 1, 2025	P	-	P	25,557,671	P	23,018,457	P	139,597	P 48,715,725
Depreciation		-		1,182,527		710,508		-	1,893,035
Disposal		-		-		(219,077)		-	(219,077)
Balance, December 31, 2025	P	-	P	26,740,198	P	23,509,888	P	139,597	P 50,389,683
Carrying Amount	P	33,090,460	P	15,143,389	P	808,650	P	-	P 49,042,499

	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance, January 1, 2024	₱ 33,090,460	₱ 41,883,587	₱ 24,252,141	₱ 139,597	₱ 99,365,785
Additions	-	-	436,532	-	436,532
Disposal	-	-	(454,817)	-	(454,817)
Balance, December 31, 2024	₱ 33,090,460	₱ 41,883,587	₱ 24,233,856	₱ 139,597	₱ 99,347,500
Accumulated depreciation					
Balance, January 1, 2024	₱ -	₱ 24,371,904	₱ 22,845,855	₱ 139,597	₱ 47,357,356
Depreciation	-	1,185,767	627,419	-	1,813,186
Disposal	-	-	(454,817)	-	(454,817)
Balance, December 31, 2024	₱ -	₱ 25,557,671	₱ 23,018,457	₱ 139,597	₱ 48,715,725
Carrying Amount	₱ 33,090,460	₱ 16,325,916	₱ 1,215,399	₱ -	₱ 50,631,775

Income earned by the Bank from its bank premises leased to third parties under operating lease agreements amounted to ₱575,000 and ₱540,000 in 2025 and 2024, respectively, and are presented as rental income under other income in Note 22.

As at December 31, 2025 and 2024, the Bank's fully depreciated assets still used by the Bank amounted to ₱20,649,882 and ₱20,658,381, respectively.

The Bank disposed of certain furniture, fixtures and equipment amounting to ₱202,785 in 2025. Such disposal resulted to a gain of ₱6,555, as disclosed in note 22.

The value of the Bank premises, furniture, fixtures and equipment net of accumulated depreciation, as of December 31, 2025 and 2024, respectively, are 28.32% and 29.28% of the Bank's total net worth, respectively. This is lower than the 50% maximum ratio ceiling under BSP regulation (MORB Sec. 109).

No assets were pledged to secure the liabilities incurred for the acquisition of additional property equipment during 2025 and 2024.

13. INTANGIBLE ASSET - net

Intangible assets pertain to CASA and loan system of the Bank, which has been fully amortized but still in use. These assets are carried at their salvage value of ₱5.

The carrying amount of the Bank's intangible asset follows:

		2025		2024
Cost				
Balance at January 1 to December 31	₱	8,828,333	₱	8,828,333
Accumulated Amortization				
Balance at January 1	₱	8,828,328	₱	8,828,328
Amortization		-		-
Balance at December 31	₱	8,828,328	₱	8,828,328
Carrying Amount	₱	5	₱	5

14. INVESTMENT PROPERTIES - net

The Bank's investment properties consist of:

	Note	2025		2024
Land	₱	30,474,621	₱	31,177,203
Building		2,095,675		1,778,472
Less: Accumulated depreciation		828,015		627,262
	₱	31,742,281	₱	32,328,413
Less: Allowance for credit losses	24	2,237,440		2,237,440
	₱	29,504,841	₱	30,090,973

Income earned by the Bank from its investment properties leased to third parties under operating lease agreements amounted to ₱411,470 and ₱348,760 in 2025 and 2024, respectively, and are presented as rental income under other income in Note 22.

The fair value of the Bank's investment properties as of December 31, 2025 amounts to ₱78,662,938.

The fair value of the Bank's investment properties is based on available valuation data and appraisal reports. While updated appraised values are maintained, the Bank has not yet classified these within the fair value hierarchy nor disclosed the related valuation techniques and key inputs, as required under PAS 40 and PFRS 13.

Based on the Bank's existing valuation practices, most properties are expected to fall under Level 2 of the fair value hierarchy, as valuations are primarily performed by the Bank's in-house appraiser using observable inputs such as comparable property prices and relevant market data. For certain properties, particularly those exceeding regulatory thresholds, independent external appraisers are engaged in accordance with MORB.

The Bank is currently in the process of completing the required fair value hierarchy classification and related disclosures.

As at December 31, 2025 and 2024, proceeds from sale of investment property amounted to ₱6,148,175 and ₱13,233,400, respectively. The proceeds from re-contracted sales contract receivable and recorded as investment properties amounted to nil and ₱500,448 for years 2025 and 2024, respectively. These resulted to a gain on sale amounting to ₱4,283,790 and ₱12,114,572, respectively, as disclosed in Note 22.

A reconciliation of the carrying amounts of the Bank's investment properties at the beginning and end of 2025 and 2024 is shown below:

	2025		2024	
Balance at the beginning of the year, net	P	30,090,973	P	28,105,514
Additions		1,479,006		3,625,588
Disposals		(1,864,385)		(1,599,306)
Accumulated depreciation		(200,753)		(44,040)
Impairment reversal-disposal		-		3,217
Balance at the end of the year	P	29,504,841	P	30,090,973

The movements in allowance for credit losses on investment properties are as follows:

	Notes	2025		2024	
Balance at the beginning of the year, net		P	2,237,440	P	2,240,657
Disposal	24		-		(3,217)
Balance at the end of the year		P	2,237,440	P	2,237,440

15. DEPOSIT LIABILITIES

The components of deposit liabilities account are as follows:

	2025		Interest rate	2024		Interest rate
Savings	P	739,209,951	0.25%-3.00%	815,264,510	0.25%-3.00%	
Time		48,113,203	3.00%	44,484,051	3.00%	
Demand		1,542,916	0.00%	1,486,631	0.00%	
	P	788,866,070		861,235,192		

Savings deposits are composed of regular savings accounts which are withdrawable upon demand and special savings accounts withdrawable at certain period of time and bear different interest rates based on the amount of deposit and term of placements.

Time deposits refer to interest-bearing deposits with term of five (5) years and are evidenced by certificates issued by the Bank. Time deposits with a term of five (5) years are exempt from withholding tax in accordance with prevailing BIR regulations.

Demand deposits refer to current or checking accounts. The Bank may or may not pay interest on these accounts.

Total deposits for the year 2025 and 2024 decreased by P72,369,122 and P84,298,525, over the figures of 2025 and 2024, respectively.

Interest expense for the years ended December 31, 2025 and 2024 amounted to P18,159,462 and P18,507,555, respectively, as disclosed in Note 23.

16. BILLS PAYABLE

Bills payable consists of funds borrowed from Land Bank of the Philippines (LBP) secured by rediscounted loan documents and security hold-out, which were used to fund customer loans.

The movements in bills payable are as follows:

		2025	2024
Balance at the beginning of the year	P	129,690,841	222,721,151
Proceeds		88,178,273	302,969,690
Repayments		(159,000,000)	(396,000,000)
Balance at the end of the year	P	58,869,114	129,690,841

The effective interest of bills payable for years ended December 31, 2025 and 2024 were 2.922% to 7.884%. Interest expense from bills payable for the years ended December 31, 2025 and 2024 amounted to P2,916,391 and P10,540,073, respectively, as disclosed in Note 23.

17. ACCRUED INTEREST EXPENSE

This account pertains to accrued interest payable amounting to P6,607,378 and P6,785,286 as at December 31, 2025 and 2024, respectively.

18. RETIREMENT BENEFIT OBLIGATION

Under the existing regulatory framework, Republic Act (R.A.) No. 7641, "The Retirement Pay Law", requires a provision for retirement pay to qualified employees in the absence of any retirement plan in the entity. The employees are entitled to retirement benefits varying between twenty-two and one-half (22.5) days pay for every year of credited service on attainment of retirement age of sixty (60) years while early retirement age is fifty (50) and with ten (10) years of credited service. Payments for the unfunded benefits are borne by the Bank as it falls due.

Movement of the accounts are as follows:

	Note	2025	2024
Beginning balance		P 17,438,670	P 19,225,367
Additional	25	1,830,389	2,337,430
Adjustments		117,371	-
Payments		(2,571,423)	(4,124,127)
Ending balance		16,815,007	17,438,670

19. OTHER LIABILITIES

This account consists of the following:

	2025	2024
Accounts payable	P 4,177,382	P 5,546,493
Due to government agencies	498,226	661,834
Unclaimed balances	162,835	393,057
Accrued expense	137,592	131,040
Due to the treasurer of the Philippines	102,461	102,461
Documentary stamp tax	4,763	105,300
	P 5,083,259	P 6,940,185

Accounts payable represent gross receipt tax payable and other short-term indebtedness incurred by the Bank from third parties.

Due to government agencies include withholding tax payable, and SSS, PHIC and HDMF contributions.

Unclaimed balances consists of deposit liabilities that have remained dormant for more than ten (10) years. In accordance with regulatory requirements, these balances are reported to the Bureau of the Treasury. Upon receipt of the necessary instructions, they are reclassified from deposit liabilities to unclaimed balances. Subsequently, the corresponding amounts are transferred to the "Due to the Treasurer" liability account in compliance with regulatory requirements.

Due to the Treasurer of the Philippines refers to all credits and deposits, including interest thereon, held by the Bank in favor of persons known to be dead or who have not made further deposits or withdrawals during the preceding ten (10) years or more, which have been reported to the Treasurer of the Philippines pursuant to the provisions of the R.A. No. 3936, as amended, "Unclaimed Balances Act".

20. RELATED PARTY TRANSACTIONS

Balances and transactions between the Bank and its related parties are disclosed below:

Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel (those with position of Vice President and up) of the Bank is set out below in aggregate for each of the categories specified in PAS 24.

Related Party Disclosures:

	2025	2024
Short-term benefits	P 3,565,796	P 4,568,593
Post-employment benefits	158,803	493,657
	P 3,724,599	P 5,062,250

Compensation of Key Management Personnel are composed of the following:

	2025	2024
Salaries and wages	P 2,763,360	P 4,113,808
Fringe benefits	680,282	409,968
SSS, PHIC and HDMF costs	122,154	44,817
	P 3,565,796	P 4,568,593

Regulatory Reporting

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the ordinary course of business, the Bank has loan transactions with certain directors, officers, stockholders and related interest (DOSRI). Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk. The amount of individual loans to DOSRI, of which seventy percent (70%) must be secured, should not exceed the amount of his deposits and book value of his paid-in capital in the Bank. In the aggregate, loans to DOSRI should not exceed the Bank's total capital funds or fifteen percent (15%) of the Bank's total loan portfolio, whichever is lower.

Below are the selected ratios relative to the Bank's DOSRI loan accounts.

	2025	2024
A. Aggregate Ceiling		
1. Total Loan Portfolio	P 315,423,047	P 404,352,391
2. 15% of #1	47,313,457	60,652,859
3. Adjusted Capital per Audited FS	173,169,284	172,851,410
4. Item A.2 or A.3 whichever is lower	P 47,313,457	P 60,652,859
B. Ceiling on loans		
1. Secured DOSRI loans	P 2,321,331	P 666,573
2. Unsecured DOSRI loans	-	-
3. Total	P 2,321,331	P 666,573
4. 30% of item A.4	14,194,037	18,195,858
5. 30% of B.3	696,399	199,972
6. Item B.4 or B.5 whichever is lower	P 696,399	P 199,972
C. Compliance with Aggregate Ceiling (Item A.4 -B.3)	P 44,992,126	P 59,986,286
D. Compliance with Ceiling on Outstanding Unsecured Loans (Item B.6-B.2)	P 696,399	P 199,972
E. Percent of DOSRI loan to total loan portfolio		
DOSRI loan	P 2,321,331	P 666,573
Total loan portfolio	315,423,047	404,352,391
	0.74%	0.16%

F. Percent of Unsecured DOSRI loans to total DOSRI				
Unsecured DOSRI loan	P	-	P	-
Total DOSRI loan		2,321,331		666,573
		0.00%		0.00%
G. Percent of past due DOSRI loans to total DOSRI loans				
Past Due DOSRI loan	P	-	P	-
Total DOSRI loan		2,321,331		666,573
		0.00%		0.00%
H. Percent of non-performing DOSRI loans to total DOSRI loans				
Non-performing DOSRI loan	P	-	P	-
Total DOSRI loan		2,321,331		666,573
		0.00%		0.00%

21. ISSUED CAPITAL

The issued capital of the Bank are as follows:

		2025		2024
Capital stock	P	100,000,000	P	100,000,000
Additional paid-in capital		73,177		73,177
	P	100,073,177	P	100,073,177

Shown below are the details on the movements of shares:

	2025		2024	
	Shares	Amount	Shares	Amount
Authorized				
Common stock at P100 par value per share	1,000,000	P 100,000,000	1,000,000	P 100,000,000
Issued and outstanding				
Balance, January 1	1,000,000	P 100,000,000	959,686	P 95,968,600
Stock issuance	-	-	40,314	4,031,400
	1,000,000	P 100,000,000	1,000,000	P 100,000,000

The adjusted capital of P127,693,322 does not meet the new capitalization requirement of P300,000,000 as provided under Circular No.854 dated October 29, 2014 for Thrift Bank outside National Capital Region. However, on December 18, 2015, the Monetary Board, through Resolution No. 2103, approved the grant of regulatory relief to the Bank from compliance with this requirement, subject to the conditions that:

- a) the Bank shall maintain a minimum capital level equivalent to the amount of its adjusted capital as of September 30, 2015 of P102,203,000 and shall comply with the required minimum capital adequacy ratio of 10%. Should the Bank's capital fall below the foregoing minima, the Bank shall immediately infuse capital to comply therewith; and
- b) the Bank shall not be granted any special banking authority nor shall it be allowed to establish new branches, relocate head office in an area of higher classification, convert to higher category bank, and engage in other activities or transactions requiring compliance with the minimum capitalization under Circular No. 854.

22. OTHER INCOME

Components of other income are as follows:

	Notes	2025	2024
Gain on sale of investment property	14	P 4,283,790	P 12,114,572
Commission income		3,252,631	2,845,994
Rental income – bank premises, furniture, fixtures and equipment	12	575,000	540,000
Rental income – ROPA	14	411,470	348,760
Recovery on charge-off assets		233,563	215,892
Gain on sale of furniture, fixture and equipment	12	6,555	19,971
Others		3,155,255	588,723
		P 11,918,264	P 16,673,912

Others include cost of checkbooks, income from deposit charges, collection overages, and reversal of excess allowance for credit losses.

23. INTEREST EXPENSE

The Bank's interest expense consists of:

	Notes	2025	2024
Interest on deposit liabilities	15	P 18,159,462	P 18,507,555
Interest on bills payable	16	2,916,391	10,540,073
Interest on lease liability	27	96,159	140,568
		P 21,172,012	P 29,188,196

Interest on deposit liabilities represents interest incurred on savings, demand and time deposit accounts maintained by customers.

Interest on bills payable pertains to interest incurred on the Bank's borrowings from other financial institutions and similar funding arrangements.

Interest on lease liability represents interest accretion on lease obligations recognized in accordance with PFRS 16.

24. ALLOWANCE FOR CREDIT LOSSES

Movement of the allowance for credit losses for the following accounts are shown below:

	Investment in Securities	Receivables from Customers	Accrued Interest	Accounts Receivable	Sales Contract Receivable	Investment Properties	Total
Balance, January 1, 2024	₱ 30,000,000	₱ 39,679,639	₱ 23,513	₱ 1,148,438	₱ 24,257,896	₱ 2,240,657	₱ 97,350,143
Reversal/Adjustments	-	(2,491,492)	-	-	(5,888,922)	(3,217)	(8,383,631)
Write-off	-	(1,180,179)	-	-	-	-	(1,180,179)
Provision	-	954,754	-	-	-	-	954,754
Reclassification	-	3,142	(15,225)	12,083	-	-	-
Balance, December 31, 2024	₱ 30,000,000	₱ 36,965,865	₱ 8,288	₱ 1,160,521	₱ 18,368,974	₱ 2,237,440	₱ 88,741,088
Reversal/Adjustments	-	(14,637,840)	(8,288)	(117,371)	-	-	(14,763,499)
Write-off	(29,999,999)	-	-	-	-	-	(29,999,999)
Provision	-	954,754	-	-	-	-	954,754
Reclassification	-	-	-	-	-	-	-
Balance, December 31, 2025	₱ 1	₱ 23,282,779	₱ -	₱ 1,043,150	₱ 18,368,974	₱ 2,237,440	₱ 44,932,344

The Bank reversed allowance for credit losses on investment property amounting to nil and ₱3,217 in 2025 and 2024, respectively. Based on the assessment made by the Bank's Appraiser, there was an increase in the appraised value of the Bank's investment property, hence, a reversal of a portion of the allowance for losses previously recognized was made. A portion of the allowance for credit losses on sales contract receivable amounting to nil and ₱5,888,922, was reversed in 2025 and 2024, respectively, since accounts provided for with the provisions were already fully paid.

In 2021, the Bank was granted regulatory relief by the Bangko Sentral ng Pilipinas (BSP), allowing for the staggered recognition of required allowance for credit losses over a five-year period ending in 2025. For the years ended December 31, 2025 and 2024, the Bank recognized the annual amortized portion of this deferred provision amounting to ₱954,754 per year. As of December 31, 2025, the Bank has fully recognized the total required allowance under this arrangement, and no further staggered provisions remain to be booked in subsequent periods.

25. COMPENSATION AND FRINGE BENEFITS

The compensation and fringe benefits comprised of:

	2025	2024
Salaries and wages	P 15,906,789	P 19,012,200
Fringe benefits	4,518,168	2,714,396
Retirement cost	1,830,389	2,337,430
SSS, PHIC and HDMF costs	1,713,752	1,702,014
Director's Fees	882,680	547,350
Medical, dental and hospitalization	35,255	30,931
	P 24,887,033	P 26,344,321

26. OTHER OPERATING EXPENSES

The account is composed of the following operating expenses:

	2025	2024
Litigation expenses	P 3,919,022	P 268,981
Insurance	2,050,566	2,145,292
Management and other professional fees	1,945,674	1,865,780
Power, light and water	1,540,147	1,437,680
Postage, telephone, cables and telegram	1,103,178	1,462,004
Security, messengerial and janitorial services	1,099,116	1,202,925
Documentary stamps	625,920	1,486,636
Repairs and maintenance	538,441	625,605
Stationery and supplies	389,205	614,408
Supervision fees and examination fees	185,957	18,400
Commissions	184,400	548,700
Transportation and travel	155,833	178,256
Advertising and Publicity	116,985	246,580
Membership fees and dues	116,000	142,390
Fines, penalties and other charges	103,229	105,612
Fuel and lubricants	100,795	131,527
Representation and entertainment	78,372	80,388
Information technology	55,370	45,558
Miscellaneous	2,346,378	784,713
	P 16,654,588	P 13,391,435

Miscellaneous operating expenses comprise of collection of cash shortages, cost of foods for meetings and special occasions, fees for documentation and notarial, cost of periodicals and magazines, and expenses for trainings and seminars.

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Bank:

27.01 Bank as Lessee

Norzagaray Branch

The term of the lease shall be for a period of five (5) years commencing on May 16, 2022 and ending on May 15, 2027, renewable at the option of the lessee for a period of another five (5) years under terms and conditions which may be agreed upon between parties. The lessee however, shall be given the first priority if and when the lessor shall decide to have the leased premises rented anew after the expiration of the term of this lease on May 15, 2027, by writing to the lessee not later than March 15, 2027 and to which the lessee must reply before April 15, 2027.

San Jose Del Monte Branch

The term of this lease shall be for a period of five (5) years commencing on June 1, 2022 and expiring on May 31, 2027 renewable upon mutual agreement of both parties for a period of another five (5) years; provided, that the amount of lease rental to be paid by the lessee to the lessor, after such expiration on May 31, 2027 shall be adjusted, fixed and agreed upon by the parties subject to prevailing rental rates in the community.

The lessee paid in advance rental equivalent to one (1) month rental. In addition to advance rental, the lessee agreed to pay the equivalent of three (3) months rental by way of deposit, payable upon signing the contract.

Details of right-of-use assets and lease liability at December 31, 2025 and 2024 are as follows:

	2025	2024
Right-of-use assets		
Bank premises	P 1,067,215	P 1,833,896
Lease Liability		
Bank premises	P 1,230,856	P 2,028,697

Amounts recognized in profit or loss are as follows:

	Note	2025	2024
Depreciation expense on right-of-use assets		P 766,681	P 766,681
Interest expense on lease liabilities	23	96,159	140,568
		P 862,840	P 907,249

27.02 Other Commitments and Contingencies

As at December 31, 2025 and 2024, the Bank's account in litigation amounts to P17,071,059 and P10,790,285, respectively, and are limited to petitions for extrajudicial foreclosures and ejectment cases initiated by the Bank and a handful suits filed by the clients to defer the Bank's possession of their respective properties. Management believes, based on the opinion of its Legal Counsel, that the ultimate outcome of such cases and claims will not have a material effect on the Bank's financial position and financial performance.

The Bank had no outstanding issuance of Bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.

The Bank had no outstanding outward and inward bills for collection at the end of the year.

28. INCOME TAXES

The components of income tax expense (benefit) for the periods ended December 31, 2025 and 2024 are as follows:

	2025	2024
Current tax expense	P (422,444)	P (567,389)
Deferred tax benefit (expense)	(8,544,388)	3,442,849
Final income tax at 20%	(5,521,740)	(5,852,942)
	P (14,488,572)	P (2,977,482)

A reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2025		2024	
Accounting income	P	14,838,040	P	11,804,318
Tax on pretax profit at 25%	P	(3,709,510)	P	(2,951,079)
Tax effects of:				
Interest income subject to final tax		1,380,435		-
Non-deductible interest expense		(1,725,544)		(1,463,236)
Loss from unclaimed CWT		(181,609)		1,463,236
Fines, penalties and surcharges		(25,807)		-
Expired NOLCO		(10,226,537)		(26,403)
	P	(14,488,572)	P	(2,977,482)

Income taxes also include final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Details of NOLCO for the years 2021 to 2025 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2022	16,216,764	-	-	16,216,764	-	2025
2023	20,935,461	-	-	-	20,935,461	2026
2024	21,869,042	-	-	-	21,869,042	2027
2025	49,502,386	-	-	-	49,502,386	2028
	P 108,523,653	P -	P -	P 16,216,764	P 92,306,889	

NOLCO for years 2020 and 2021 carried over for the next five (5) consecutive taxable years, as provided by Bayanihan 2 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2020	P 24,689,384	P -	P -	P 24,689,384	P -	2025
2021	23,357,076	-	-	-	23,357,076	2026
	P 48,046,460	P -	P -	P 24,689,384	P 23,357,076	

The Bank has future deductible amounts of P115,663,965 and P107,067,728 arising from NOLCO as at 2025 and 2024, respectively.

Details of MCIT are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2022	P 31,594	P -	P -	P 31,594	P -	2025
2023	92,389	-	-	-	92,389	2026
2024	567,389	-	-	-	567,389	2027
2025	422,444	-	-	-	422,444	2028
	P 1,113,816	P -	P -	P 31,594	P 1,082,222	

The Bank has future deductible amounts arising from MCIT amounts to P1,082,222 and P691,372 as at 2025 and 2024, respectively.

29. DEFERRED TAXES

29.01 Deferred Tax Assets (DTA)

The components of the Bank's deferred tax assets and their respective movements are as follows:

	Allowance for Credit Losses	NOLCO	MCIT	Retirement Cost	Application of PFRS 16	Total
Balance, January 1, 2024	₱ 24,337,536	₱ 21,299,671	₱ 123,983	₱ 4,806,342	₱ 41,563	₱ 50,609,095
<i>Recognized in Profit or Loss</i>						
Origination	238,689	5,467,261	567,389	584,358	7,137	6,864,834
Reversal	(2,095,908)	-	-	(1,031,032)	-	(3,126,940)
Write-off	(295,045)	-	-	-	-	(295,045)
Balance, December 31, 2024	₱ 22,185,272	₱ 26,766,932	₱ 691,372	₱ 4,359,668	₱ 48,700	₱ 54,051,944
<i>Recognized in Profit or Loss</i>						
Origination	238,689	12,375,596	422,444	486,940	-	13,523,669
Reversal	(3,690,875)	-	-	-	-	(3,690,874)
Write-off	(7,500,000)	-	-	(642,856)	-	(8,142,856)
Expiration	-	(10,226,537)	(31,594)	-	-	(10,258,131)
Balance, December 31, 2025	₱ 11,233,086	₱ 28,915,991	₱ 1,082,222	₱ 4,203,752	₱ 48,700	₱ 45,483,752

29.02 Deferred Tax Liability (DTL)

The DTL arising from temporary differences attributable to PFRS 16 amounted to ₱7,790 and nil for the years ended December 31, 2025 and 2024, respectively.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Bank's principal financial instruments consist of cash and other cash items, receivables and payables which arise from operations, and long-term investments. The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. The Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability. Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business validity and good financial position in the market.

The inherent risks which can arise from the Bank's financial instruments are credit risk, market risk (i.e. interest rate risk, currency risk and price risk) and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The Board of Directors reviews and agrees on policies for managing each of these risks and are summarized as follows:

Credit Risk

Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers and enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements. The Bank manages the level of credit risks it accepts through comprehensive credit risk policy setting assessment and determination of what constitutes credit risk for the Bank; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Credit quality per class of financial assets

The description of the financial assets grading used by the Bank is as follows:

- High grade – These are financial assets which have a high probability of collection or are invested or deposited with reputable financial institutions. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable.
- Standard grade – These are financial assets where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

The tables below show the credit quality per class of financial assets (gross of allowance for credit and impairment losses) as at December 31, 2025 and 2024:

	2025				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Checks and other cash items	P 99,062	P -	P -	P -	P 99,062
Due from BSP	2,663,939	-	-	-	2,663,939
Due from other banks	153,677,597	-	-	-	153,677,597
Loans and other receivables:					
Loans and discounts	-	259,848,842	32,291,426	23,282,779	315,423,047
Sales contract receivable	-	27,733,919	7,593,283	18,368,974	53,696,176
Accrued interest receivable	-	7,381,508	143,190	-	7,524,698
Accounts receivable	-	2,474	-	1,043,150	1,045,624
Financial Assets at amortized cost	423,583,532	-	-	1	423,583,533
	P 580,024,130	P 294,966,743	P 40,027,899	P 42,694,904	P 957,713,676
	2024				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Checks and other cash items	P 143,948	P -	P -	P -	P 143,948
Due from BSP	10,409,950	-	-	-	10,409,950
Due from other banks	183,630,469	-	-	-	183,630,469
Loans and other receivables:					
Loans and discounts	-	298,413,288	68,973,238	36,965,865	404,352,391
Sales contract receivable	-	37,638,474	15,369,388	18,368,974	71,376,836
Accrued interest receivable	-	6,671,870	979	8,288	6,681,137
Accounts receivable	-	509,122	-	1,160,521	1,669,643
Financial Assets at amortized cost	427,036,673	-	-	30,000,000	457,036,673
	P 621,221,040	P 343,232,754	P 84,343,605	P 86,503,648	P 1,135,301,047

As at December 31, 2025 and 2024, the Bank's loans that are past due for more than ninety (90) days are considered impaired.

Aging analysis of past due but not impaired loans and receivables

The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2025 and 2024.

Note: Aging is based on Residual Maturity and Amount is based on amortized cost.

		2025				
		Less than 30 days	31 to 60 Days	61 to 90 Days	More than 90 days	Total
Loans and other receivables:						
Loans and discounts	P	746,837	P 7,466,209	P 11,070,931	P 13,007,449	P 32,291,426
Sales contract receivable		432,991	2,324,004	391,560	4,444,728	7,593,283
Accrued interest receivable		109,655	33,340	195	-	143,190
	P	1,289,483	P 9,823,553	P 11,462,686	P 17,452,177	P 40,027,899
		2024				
		Less than 30 days	31 to 60 Days	61 to 90 Days	More than 90 days	Total
Loans and other receivables:						
Loans and discounts	P	5,341,180	P 85,816	P -	P 63,546,242	P 68,973,238
Sales contract receivable		849,765	-	-	14,519,623	15,369,388
Accrued interest receivable		979	-	-	-	979
	P	6,191,924	P 85,816	P -	P 78,065,865	P 84,343,605

Carrying Amount Per Class of Loans and Receivables, Which Terms Have Been Renegotiated.

Restructured receivables have principal terms and conditions that have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the receivable account becomes past due and is being restructured or extended, the approval of the BOD is required before loan booking and is always governed by the BSP rules on restructuring. No loans were restructured as at December 31, 2025 and 2024.

Market Risk

Market risk is the risk of loss that may result from the changes in price of a financial product. The value of a financial product may change as a result of changes in interest rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates. Currency risk on the other hand is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The structures levels of market risk it accept through a market risk policy such as (a) determining what constitutes market risk for the Bank ; (b) establishing basis to be used to fairly value financial assets and liabilities; (c) asset allocation and portfolio limit structure; (d) diversification benchmark by type of instrument; (e) setting out the exposure limits by each counterparty or group of counterparties; (f) reporting of market risk exposures; (g) monitoring compliance with market risk policy; and (h) reviewing of market risk policy for pertinence and changing environment.

Interest Rate Risk

The Bank's receivables earn effective interest rates ranging from 7.14% to 26.82% in 2025 and 7.07% to 26.82% in the year 2024. While sales contract receivables earn 8% to 14% in 2025 and 2024, respectively. The shortest term of loan is 150 days in 2025 and 2024, while the longest term is 10 years. The shortest term of sales contract receivables is one (1) year while the longest term is fifteen (15) years.

Other regular savings accounts earn 0.25% to 0.75% in 2025 and 2024. Special savings deposits have interest rates of 0.85% to 3.00% in 2025 and 2024, respectively. Long term deposits have interest rates of 3.00% in 2025 and 2024.

Bills payable pays fixed interest rates to the Bank of 2.922% to 7.884% in 2025 and 3.296% to 7.990% in 2024. In order to manage its net interest margin, the Bank places its excess funds in high yield investments and other short-term time deposits.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of the financial instruments will fluctuate because of changes in interest rates. The Bank's cash equivalents are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

Loan Receivables and interest-bearing liabilities are sized as to interest rate and maturity to make a reasonable analysis of the degree of risk associated with lending and borrowings.

Cash Flow Interest Rate Risk

This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument, fluctuation results in a change in effective interest rate of a financial instrument usually without a corresponding change in its fair value.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Management uses liquidity forecast models that estimate the Bank's cash flow needs based on the Bank's actual contractual obligations and under normal circumstances and extraordinary circumstances.

The Bank's Minimum Liquidity Ratio (MLR) for the years 2025 and 2024 are 23.863% and 27.119%, respectively.

The following table below summarizes the maturity profile of the Bank's financial assets and liabilities as of December 31, 2025 and 2024.

	2025				
	On demand	Less than 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash and other cash items	₱ 4,176,859	₱ -	₱ -	₱ -	₱ 4,176,859
Due from BSP	2,663,939	-	-	-	2,663,939
Due from other banks	131,813,451	14,713,133	7,151,013	-	153,677,597
Loans and receivable	6,389,400	2,426,802	12,337,708	294,269,137	315,423,047
Sales contract receivable	8,387,455	-	7,139,960	38,168,761	53,696,176
Accrued interest receivable	390	1,260	14,263	7,508,785	7,524,698
Accounts receivable	1,045,624	-	-	-	1,045,624
Financial assets at amortized cost	1	-	-	423,583,532	423,583,533
Other Investments	-	-	-	197,859	197,859
	₱ 154,477,119	₱ 17,141,195	₱ 26,642,944	₱ 763,728,074	₱ 961,989,332
Financial Liabilities					
Deposit liabilities	₱ 479,483,571	₱ 189,506,060	₱ 87,419,693	₱ 32,456,746	₱ 788,866,070
Bills payable	-	-	58,869,114	-	58,869,114
Lease liabilities	-	-	-	1,230,856	1,230,856
Accrued interest and other liabilities	7,424,636	3,585,241	520,804	159,956	11,690,637
	₱ 486,908,208	₱ 193,091,301	₱ 146,809,611	₱ 33,847,558	₱ 860,656,677
Cumulative total Gap	₱ (332,431,088)	₱ (175,950,106)	₱ (120,166,667)	₱ 729,880,516	₱ 101,332,655

HIYAS BANKING CORPORATION (A THRIFT BANK)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

	2024				
	On demand	Less than 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash and other cash items	P 4,623,863	P -	P -	P -	P 4,623,863
Due from BSP	10,409,950	-	-	-	10,409,950
Due from other banks	167,794,693	15,835,776	-	-	183,630,469
Loans and receivable	17,184,274	1,454,389	13,898,739	371,814,989	404,352,391
Sales contract receivable	6,229,343	-	4,343,126	60,804,367	71,376,836
Accrued interest receivable	9,267	-	-	6,671,870	6,681,137
Accounts receivable	1,669,643	-	-	-	1,669,643
Financial assets at amortized cost	30,000,000	-	-	427,036,673	457,036,673
Other investments	-	-	-	197,859	197,859
	P 237,921,033	P 17,290,165	P 18,241,865	P 866,525,758	P 1,139,978,821
Financial Liabilities					
Deposit liabilities	P 449,903,081	P 144,087,875	P 238,835,669	P 28,408,567	P 861,235,192
Bills payable	-	31,843,446	97,847,395	-	129,690,841
Lease liabilities	-	-	-	2,028,697	2,028,697
Accrued interest and other liabilities	7,939,938	2,942,616	2,644,693	198,223	13,725,470
	P 457,843,019	P 178,873,937	P 339,327,756	P 30,635,487	P 1,006,680,200
Cumulative total Gap	P (219,921,986)	P (161,583,772)	P (321,085,891)	P 835,890,271	P 133,298,621

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behaviour or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

Section 127 of the MORB which provides the revised risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks represents BSP's commitment to align existing prudential regulations with international standards, which is consistent with the BSP's goal of promoting the soundness and stability of individuals and of the Banking system as a whole.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) of its risk weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- Un-booked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk weighted assets consist of total assets after exclusion of Cash on Hand, Due from BSP, Loans covered by hold-out or assignment of deposits, Loans or acceptances under Letters of Credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The Bank's objectives, policies, and processes for managing capital, as well as the methods used to calculate regulatory qualifying capital, have remained the same as in the previous year. No changes were made in the capital management framework during the years ended 2025 and 2024.

The adjusted Capital Adequacy Ratio (CAR) of the Bank as at December 31, 2025 and 2024 are as follows:

	2025	2024
Tier 1 Capital	P 127,693,322	P 118,799,466
Common Equity Tier 1 (CET) Capital	173,169,284	172,851,410
CET 1 ratio	28.36%	23.95%
Tier 2 Capital	3,451,184	3,451,184
Total Qualifying Capital	P 131,144,506	P 122,250,650
Risk Weighted Assets	P 610,622,266	P 721,652,598
Tier 1 Capital Ratio	20.91%	16.46%
Tier 2 Capital Ratio	0.57%	0.48%
Capital Adequacy Ratio (CAR)	21.48%	16.94%

Leverage Ratio and total Exposure Measure

Leverage ratio is a kind of financial ratio that indicates the level of debt incurred by a business entity against several other accounts in its Statements of Financial Position, Statements of Comprehensive Income or Statements of Cash Flows. These ratios provide an indication of how the Bank's assets and business operations are financed (used debt or equity).

The following items reflect the Bank's leverage:

	2025	2024
a. Debt-to-Assets Ratio	83.52%	85.56%
b. Debt-to-Equity-Ratio	506.72%	592.49%
c. Debt-to-EBIT Ratio	5913.72%	8675.80%
d. Asset-to-Equity Ratio	606.72%	692.49%
e. Total Exposure Measure		
On-Balance Sheet	1,054,099,943	1,200,463,929
Derivative Exposure	-	-
Securities Financial Transaction Exposures	-	-
Off-Balance Sheet	3,962	3,943

As mandated by BSP Circular 881, additional leverage ratio which term as Basel III Leverage Ratio is also being used by the Bank to comply with the supplementary measures in risk-based capital requirements. Below is the computation of this ratio:

$$\text{Basel III Leverage Ratio} = \frac{\text{Capital Measure (Tier 1 Capital)}}{\text{Exposure Measure}} \quad \mathbf{12.11\%}$$

32. CORRECTION OF PRIOR PERIOD ERRORS

To reflect the adjustments resulting from accounts reconciliation performed by the Bank during the year, corresponding adjustments on the following accounts were made as follows:

	December 31, 2024, as previously presented		Prior period errors	December 31, 2024, as restated	
Due from Other Banks	₱	183,672,933	₱ (42,464)	₱	183,630,469
Retained Earnings - Free		(63,449,356)	42,464		(63,406,892)
Total	₱	120,223,577	₱ -	₱	120,223,577

The prior period adjustments arose from reconciling items identified during the Bank's review of cash accounts, particularly unrecorded debit memos and returned check-related transactions that were not recognized on a timely basis and lacked sufficient documentation. Certain reconciling items remained outstanding for extended periods, and in some instances, the nature of the transactions was not clearly identified at the time of reconciliation.

The Bank determined that the correction of errors during the years was necessary to state the balances to their correct amounts.

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on February 7, 2022. This information is presented for BSP reporting and is not required in the basic financial statements.

33.01 Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2025	2024
Return on average equity	0.20%	5.30%
Return on average assets	0.03%	0.69%
Net interest margin	5.46%	3.91%
Debt to equity ratio	5.07:1	5.92:1
Earnings per share	0.35	9.01
Book value per share	173.17	172.85

33.01.01 Return On Average Equity

	2025	2024
Net income	₱ 349,468	₱ 8,826,836
Shareholders' equity		
2025	173,169,284	
2024	172,851,410	172,851,410
2023	-	160,035,638
2022	-	-
Total	₱ 346,020,694	₱ 332,887,047
Average equity	₱ 173,010,347	₱ 166,443,524
Return on Average Equity	0.20%	5.30%

33.01.02 Return On Average Asset

	2025	2024
Net income	₱ 349,468	₱ 8,826,836
Assets		
2025	1,050,648,758	
2024	1,196,970,281	1,196,970,281
2023	-	1,363,385,646
2022	-	-
Total	₱ 2,247,619,039	₱ 2,560,355,927
Average assets	1,123,809,520	1,280,177,964
Return on Average Asset	0.03%	0.69%

33.01.03 Net Interest Margin

	2025	2024
Net interest income	₱ 53,194,972	₱ 44,073,085
Interest earning assets		
2025	907,392,539	
2024	1,041,471,480	1,041,471,480
2023	₱ -	₱ 1,210,646,086
2022	-	-
Total	₱ 1,948,864,019	₱ 2,252,117,566
Average interest earning assets	974,432,010	1,126,058,783
Net Interest Margin	5.46%	3.91%

33.01.04 Debt To Equity Ratio

	2025	2024
Total liabilities	₱ 877,479,474	₱ 1,024,118,871
Total equity	173,169,284	172,851,410
Debt to Equity Ratio	5.07:1	5.92:1

33.01.05 Earnings Per Share

	2025	2024
Net income	₱ 349,468	₱ 8,826,836
Earnings available for common share	349,468	8,826,836
Weighted average of shares ordinary	1,000,000	979,843
Earnings Per Share Ordinary	0.35	9.01

33.01.06 Book Value Per Share

	2025	2024
Total equity	₱ 173,169,284	₱ 172,851,410
Available to shareholders	173,169,284	172,851,410
Number of shares	1,000,000	1,000,000
Book Value Per Share	173.17	172.85

33.02 Description of Capital Instrument Used

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2025 and 2024.

33.03 Significant Credit Exposures

Additionally, the table below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2025 and 2024.

	2025	% of Total Loans	% as to Tier 1 Capital	2024	% of Total Loans	% as to Tier 1 Capital
Agriculture, forestry and fishing	₱ 5,175,969	1.64%	4.05%	₱ 13,536,466	3.35%	11.39%
Mining and quarrying	-	0.00%	0.00%	-	0.00%	0.00%
Manufacturing	3,104,563	0.98%	2.43%	2,589,746	0.64%	2.18%
Electricity, gas, steam and air-conditioning supply	-	0.00%	0.00%	-	0.00%	0.00%
Water supply, sewerage, waste management and remediation activities	-	0.00%	0.00%	-	0.00%	0.00%
Construction	85,082,668	26.97%	66.63%	106,581,161	26.36%	89.68%
Wholesale and retail trade, repair of motor vehicles, motorcycles	53,918,050	17.09%	42.22%	80,938,036	20.02%	68.11%
Accommodation and food service activities	10,697,734	3.39%	8.38%	10,718,250	2.65%	9.02%
Transportation and storage	11,298,762	3.58%	8.85%	16,709,973	4.13%	14.06%
Information and communication	-	0.00%	0.00%	-	0.00%	0.00%
Financial and insurance activities	-	0.00%	0.00%	-	0.00%	0.00%
Salary-based general personal consumption	45,927,886	14.56%	35.97%	60,117,790	14.87%	50.59%
Real estate activities	81,212,953	25.75%	63.60%	88,279,812	21.83%	74.28%
Professional, scientific, and technical activities	93,237	0.03%	0.07%	188,133	0.05%	0.16%
Administrative and support service activities	3,363,516	1.07%	2.63%	8,589,278	2.12%	7.23%
Public administration and defense; compulsory social security	-	0.00%	0.00%	-	0.00%	0.00%
Education	1,414,208	0.45%	1.11%	2,953,237	0.73%	2.49%
Human health and social work activities	6,466,627	2.05%	5.06%	8,515,201	2.11%	7.17%
Arts, entertainment and recreation	403,996	0.13%	0.32%	502,755	0.12%	0.42%
Other service activities	7,262,878	2.30%	5.68%	4,132,553	1.02%	3.48%
Activities of households as employers; undifferentiated goods-and-services-producing activities for households for own use	-	0.00%	0.00%	-	0.00%	0.00%
Activities of extra-territorial organizations and bodies	-	0.00%	0.00%	-	0.00%	0.00%
Total	₱ 315,423,047	100%		₱ 404,352,391	100%	
Less: Specific loan loss provision	19,831,595			33,514,681		
General loan loss provision	3,451,184			3,451,184		
	292,140,268			367,386,526		

Amount of salary-based general personal consumption is only extended to total amount because there's no corresponding industry classification provided under BSP Memorandum No. M-2014-009.

33.04 Breakdown of Total Loans

Details of the loan portfolio as to collateral as at December 31, 2025 and 2024:

	2025	% of Total Loans	2024	% of Total Loans
Real estate mortgage	P 293,651,572	93.10%	P 388,347,593	96.04%
Other collateral	13,204,791	4.19%	12,911,256	3.19%
Unsecured	8,566,684	2.72%	3,093,542	0.77%
Total Loans and Receivables	P 315,423,047	100%	P 404,352,391	100%

Presented below is the breakdown of loans as to status per product line:

	2025				
	Current	Past Due but not yet Non-Performing	Past Due and Already Non-Performing	Items in litigation	Total
Loans and Discounts:					
Loans to Individuals for Other Purposes	P 55,104,145	P 4,409,123	P 7,864,501	P 10,695,681	78,073,450
Loans to Individuals for Housing Purposes	67,406,684	4,121,451	7,588,539	2,096,278	81,212,952
Medium Scale Enterprise Loans	76,417,346	-	5,085,161	-	81,502,507
Loans to Individuals for Consumption Purposes	39,899,766	2,049,937	2,794,926	1,183,256	45,927,885
Small Scale Enterprise Loans	17,314,362	2,940,197	179,880	3,095,844	23,530,283
Other Agricultural Credit Loans	3,599,927	678,983	790,448	-	5,069,358
Agrarian Reform Loans	106,612	-	-	-	106,612
	P 259,848,842	P 14,199,691	P 24,303,455	P 17,071,059	315,423,047

	2024				
	Current	Past Due but not yet Non- Performing	Past Due and Already Non- Performing	Items in litigation	Total
Loans and Discounts:					
Loans to Individuals for Other Purposes	₱ 64,749,956	₱ 4,429,036	₱ 33,679,908	₱ 1,000,317	103,859,217
Loans to Individuals for Housing Purposes	66,273,066	5,816,508	15,048,232	1,142,005	88,279,811
Medium Scale Enterprise Loans	91,757,576	-	10,507,617	5,100,000	107,365,193
Loans to Individuals for Consumption Purposes	47,293,865	2,930,797	9,893,089	40	60,117,791
Small Scale Enterprise Loans	21,783,914	-	5,862,076	3,547,923	31,193,913
Other Agricultural Credit Loans	6,409,852	404,164	6,577,391	-	13,391,407
Agrarian Reform Loans	145,059	-	-	-	145,059
	₱ 298,413,288	₱ 13,580,505	₱ 81,568,313	₱ 10,790,285	404,352,391

Details of performing and non-performing loans as at December 31, 2025 and 2024:

	2025	%	2024	%
Current (Performing)	₱ 259,848,842	82.38%	₱ 298,413,288	73.80%
Past Due				
Performing	14,199,691	4.50%	13,580,505	3.36%
Non-Performing	24,303,455	7.71%	81,568,313	20.17%
Items in litigation (Non-Performing)	17,071,059	5.41%	10,790,285	2.67%
Total Loans and Receivables	₱ 315,423,047	100%	₱ 404,352,391	100%

33.05 Information on Related Party Loans

Particulars	DOSRI Loans		Related-party Loans (inclusive of DOSRI Loans)	
Outstanding Loans and Receivables	₱	2,321,331	₱	9,462,686
Current Loans and Receivables		2,321,331		9,462,686
Past Due Loans and Receivables		-		-
Non-performing Loans and Receivables		-		-
Percent of Total DOSRI/Related-Party Loans to Total Loan Portfolio		0.74%		2.56%
Percent of Secured DOSRI/Related-Party Loans to Total DOSRI/Related-Party Loans		100.00%		100.00%
Percent of Unsecured DOSRI/Related-Party Loans to Total DOSRI/Related-Party Loans		0.00%		0.00%
Percent of Past Due DOSRI/Related-Party Loans to Total DOSRI/Related-Party Loans		0.00%		0.00%
Percent of Non-Performing DOSRI/Related-Party Loans to Total DOSRI/Related-Party Loans		0.00%		0.00%

33.06 Secured Liabilities and Assets Pledged as Security

As of December 31, 2025, the Bank has secured liabilities amounting to ₱58,869,114, backed by pledged assets totalling ₱62,245,305.

33.07 Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank has no contingencies and commitments from off-balance sheet items.

34. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15 – 2010

Revenue Regulations (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income Tax Returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below is the additional information required by RR 15 – 2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

34.01 Gross Receipt Tax consist Taxes

The Bank reported total Gross Receipts Tax (GRT) amounting to ₱4,850,584 for the year ended December 31, 2025. The GRT paid is presented under Taxes and Licenses.

34.02 Documentary Stamp Tax

Pursuant to the Provisions of Republic Act (RA) No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN), various tax rates have been revised including the rates on Documentary Stamp Tax, below are some of the regulations affecting the operation of the Bank and non-financial intermediaries:

SEC. 51. Section 174 of the NIRC, as amended, is hereby further amended to read as follows:

Section 174: Stamp Tax on Original Issue of Shares of Stock

On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation, there shall be collected a documentary stamp tax of two pesos (P2.00) on each two hundred pesos (P200), or fractional part thereof, of the par value, of such shares of stock: Provided, That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock; Provided, further, That in the case of stock dividends, on the actual value represented by each share.

SEC. 55. Section 179 of the NIRC, as amended, is hereby further amended to read as follows:

Section 179: Stamp Tax on All Debt Instruments

On every original issue of debt instruments, there shall be collected a documentary stamp tax of One peso and fifty centavos (P1.50) on each two hundred pesos (P200), or fractional part thereof, of the issue price of any such debt instruments: Provided, That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: Provided, further, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan.

Documentary Stamp Tax paid by the Bank during the year amounted to P625,920.

34.03 Other Taxes and Licenses

An analysis on the Bank's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Percentage tax	P	4,343,156
Municipal taxes and permit fees		329,136
Annual registration		236,060
Others		10,000
	P	4,918,352

34.04 Withholding taxes

An analysis on the Bank's withholding taxes paid or accrued during the year is as follows:

Final withholding taxes	P	825,687
Withholding tax on compensation		3,371,889
Expanded withholding taxes		182,462
	P	4,380,038

35. OTHER MATTERS

a. Anti-Money Laundering Act (AMLA)

The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.

b. As at December 31, 2025, all of the Bank's Board of Directors had undergone the requirements for corporate governance training as confirmed by the Monetary Board as mandated by MORB Section 911.

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Stockholders and the Board of Directors HIYAS BANKING CORPORATION (A THRIFT BANK)

Gov. Fortunato F. Halili Avenue
Bagbaguin, Sta. Maria, Bulacan

We have audited the financial statements of **HIYAS BANKING CORPORATION (A THRIFT BANK)** for the year ended **December 31, 2025**, on which we have rendered the attached report dated April 29, 2026.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Bank has a total number of one hundred (100) stockholders owning one hundred (100) or more shares each.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

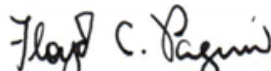
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026 valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:



FLOYD C. PAGUIO

Senior Partner

CPA Certificate No. 115664

Tax Identification Number 243-676-418-000

BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028

SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614/P-002, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit

IC Accreditation No. IC-EA-2025-0086-R (Group A), valid for 2025 to 2027 financial statements audit

PTR No. 5087827, issued on January 14, 2026, Muntinlupa City

April 29, 2026

Muntinlupa City, Metro Manila



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